

To: Harris County Precinct Two Commissioner Adrian Garcia
From: Katie Short, Director; Amber Weed, Chief of Staff and Policy
Director; Ramin Naderi, Analyst
CC: Mike Lykes, Mercedes Sanchez, and Tiko Hausman with Precinct
Two; Mike Post, Leslie Wilks Garcia, Errika Perkins, Tim Chase,
Porter Broyles, and Arlen Alanis with the Harris County Auditor's
Office; Jay Aiyer and Manasi Tahiliani with the Harris County
Attorney's Office
Date: November 30, 2021
Re: **Prompt Payment Act Memo**

EXECUTIVE SUMMARY

The Commissioners Court's Analyst's Office (the "Analyst's Office") received the following request from Harris County Commissioner Precinct Two, on September 14, 2021: "Request for the Commissioners Court's Analyst's Office, and Auditor's Office, to assess Harris County compliance with the Prompt Payment Act and assess payments processing times to vendors over the last five years."

Payments made by Harris County to vendors for goods and services received must adhere to the **Texas Prompt Payment Act**, which reads: "A payment by a governmental entity under a contract executed on or after September 1, 1987, is overdue on the 31st day after the later of:

- The day the agency received the goods.
- The day the services were completed by the vendor for the agency.
- Or the day the agency received the invoice for goods and services."

For all of the fiscal years reviewed, the Harris County Auditor's Office reports not having two of the three criteria used to determine compliance with the Texas Prompt Payment Act: the date the County receives the goods, and the date services were completed by the vendor for the County, for all goods and services. Additionally, limitations exist with the methodology used to track the date the agency received the invoice for goods and services. These issues with the data limit the Analyst's Office's ability to determine the County's compliance with the Texas Prompt Payment Act, and these issues limit the County Auditor's Office ability to support the maintenance of internal controls. This memo serves as an initial attempt to explore adherence to the Texas Prompt Payment Act and assess areas for improvement in monitoring adherence going forward.

In collaboration with the Harris County Auditor's Office, the Analyst's Office reviewed and analyzed vendor invoice data for FY2017-FY2022. The following are key highlights from that analysis:

- Of the **1,224,688 vendor invoices paid** in the period reviewed, Harris County issued payment to vendors **on-time for 90.6%** of all invoices (**1,109,879**). Harris County issued **delayed payment to vendors for 9.4%** of all invoices (**114,809**).
- For the five full fiscal years reviewed, FY2017 had the highest percentage of vendor payments completed on-time at **93.5%**.
- For the five full fiscal years reviewed, **the highest number of paid vendor invoices occurred in FY2020 at 236,972. The lowest amount of paid vendor invoices occurred in FY2021 at 214,472.**
- For the five full fiscal years reviewed, **FY2020 had the highest total cumulative dollar amount of vendor invoices paid at \$4,017,866,135 with FY2018 having the lowest total cumulative dollar amount of vendor invoices paid at \$2,951,250,908.**
- The total dollar amount of vendor invoices paid between FY2020 and FY2021 **decreased by over a billion dollars (\$1,522,609,473).** During that same timeframe, the total number of invoices decreased by **9.5%**.
- By quarter, Q1 FY2017 (March - May 2016) had the highest percentage of on-time vendor payments at **94.1% (50,496).** Q1 FY2021 (March - May 2020) had the lowest percentage of on-time vendor payments at **81.4% (38,204).**
- For the five full fiscal years reviewed, FY2021 had the lowest number of average days for Harris County to complete on-time vendor payments, at **10.6 days.**
- FY2017 had the lowest average number of days for Harris County to complete vendor payments at **14.8 days,** and FY2019 had the highest average number of days to complete vendor payments at **17.1 days.**
- The implementation of AIR has not resulted in a consistent reduction in the average number of days to complete vendor payments. **Only four out of nine departments reviewed saw a consistent reduction in the average number of days to complete vendor payments post AIR implementation.**
- According to the County Auditor's Office, **no interest was paid on overdue payments for the fiscal years reviewed in this memo.**

An analysis of the MWBE/SBE transaction data was excluded in this memo due to data concerns from the County Auditor's Office and the Office of the Purchasing Agent. The Harris County Department of Economic Equity and Opportunity (DEEO) is working to improve the County's tracking of MWBE vendors and recently acquired the B2Gnow diversity management software to address this issue. B2Gnow will allow the County to match existing vendors with lists of qualifying MWBE vendors (contractors and subcontractors) to assess past utilization of MWBE vendors.

At the request of the Office of County Administration, this memo includes an action plan that identifies issues with Harris County's vendor payment process and provides suggestions on how it can be improved. The summary of identified issues is collected both from analysis conducted by the Analyst's Office with the County Auditor's Office, and from interviews conducted with six County departments, three high-performing and three low-performing based on payment timeliness.

INTRODUCTION

The Commissioners Court's Analyst's Office (the "Analyst's Office") received the following request from Harris County Commissioner Precinct Two, during the September 14, 2021 Commissioners Court:

"Request for the Commissioners Court's Analyst's Office, and Auditor's Office, to assess Harris County compliance with the Prompt Payment Act and assess payments processing times to vendors over the last five years."

This memo includes background information on Harris County's requirements as a local government for processing vendor payments, Harris County's vendor payment process, and an overview of the Texas Prompt Payment Act. An analysis of vendor payment invoices for Harris County FY2017-FY2022 provided by the Harris County Auditor's Office follows and demonstrates the extent to which Harris County complies with the Texas Prompt Payment Act.ⁱ

The Analyst's Office would like to acknowledge the Harris County Auditor's Office for their partnership and considerable contributions to the data analysis included in this memo as well as the Harris County Office of the Purchasing Agent, the Harris County Department of Economic Equity and Opportunity, and the Harris County Attorney's Office.

METHODOLOGY

The methodology of this memo includes a review of applicable state and federal laws, interviews with County partners about the vendor payment process, and analyses of Harris County vendor invoices from March 1, 2016 through July 31, 2021.ⁱⁱ

Vendor payment data from March 1, 2016 through July 31, 2021 was provided by the County Auditor's Office. The Analyst's Office collaborated with the County Auditor's Office on analyses of the data received.

Data Sources. The Harris County Auditor's Office provided vendor payment data compiled from three different sources: the Integrated Finance and Accounting Solutions (IFAS) system, PeopleSoft, and the Audit Invoice Review (AIR) Open Text System. The following are brief descriptions of each:

- **Integrated Finance and Accounting Solutions (IFAS):** Computer system previously used by Harris County to manage the County's finances. Purchased from Sungard Bi-Tech systems, IFAS was in use from 1999 through February 2020. It was replaced by PeopleSoft.¹
- **PeopleSoft:** Harris County's current Enterprise Resource Planning (ERP) system in which vendor invoices are processed. Branded by Harris County as the Shared Technology & Reporting System (STARS) and built on Oracle's PeopleSoft platform, the system went live on March 1, 2020.²

ⁱ Harris County's fiscal year covers March 1 through the end of February of the following year. Additionally, FY 2022 is not a complete fiscal year as the data only includes the period of March 1, 2021 through July 31, 2021.

ⁱⁱ At the time of the Courts request, July 31, 2021 was selected to ensure all included data would be complete and not include partial data.

- **Audit Invoice Review (AIR) Open Text System:** System currently being deployed by the Harris County Auditor's Office Accounts Payable to present PDF invoices for departmental review. The first department implemented AIR in October 2020. AIR is being used by 40 County departments as of November 10, 2021.³

Data Elements. The following data elements were collected and analyzed by both the County Auditor's Office and the Analyst's Office:

- **Data Source:** Three systems which stored the data, IFAS, PeopleSoft, and AIR.
- **Year:** Calendar year the vendor invoice was received by the County.
- **Vendor Name/ID:** Name of the County vendor and their identification number.
- **Department/Department ID:** Name of the County department and associated County identification number for the department that received the goods/services presented on the vendor invoice.
- **Minority/Women-Owned Business Enterprise (MWBE) Designation:** A flag for whether the vendor submitting an invoice qualifies as a MWBE.
- **Purchase Order (PO)/Non-PO Designation:** A flag for whether the vendor invoice has a purchase order number assigned to it (i.e., some services received, such as utilities, do not have a PO designation).
- **Invoice ID:** The identifier typically provided by the vendor for their payment request.
- **Invoice Entered Date:** The date which the County Auditor's Office Accounts Payable scanned the vendor invoice into IFAS or entered into PeopleSoft.ⁱⁱⁱ
- **Payment Date:** The date the Harris County Treasurer's Office released funds to the vendor, which is tracked as either the postmarked date for mailed checks or the date an electronic funds transfer was initiated to a vendor.
- **Payment Amount:** The total amount paid by the County for the goods/services listed on the vendor invoice.

Data Limitations and Significant Events. The data analytics performed by the County Auditor's Office and the Analyst's Office relied on data from various systems. There are limitations with the data utilized, and those limitations, as understood, are as follows:

- **Delayed (or Overdue) and On-Time Payments.** Data collected in IFAS and PeopleSoft does not allow for an analysis of payments across fiscal years that accurately reflects whether any payments made by the County are on-time or overdue in accordance with the Texas Prompt Payment Act. It is also the understanding of the Analyst's Office, per the Harris County Auditor's Office, that no County department maintains a database that would also track on-time and overdue payments in accordance with the Texas Prompt Payment Act.

The Texas Prompt Payment Act outlines three potential criteria for evaluating whether a payment made to a vendor by the County is considered overdue. A payment is considered overdue if it is issued over 30 days after the later of the following three: the day the County receives the goods, or the day the services were completed by the vendor for the County, or the day the County received the invoice for goods and services.

ⁱⁱⁱ Invoice Entered Date utilized as it is the most consistent date available in the given dataset.

IFAS tracked the date an invoice was received by the County (as the Invoice Entered Date), but IFAS did not track the date the County received goods from a vendor, and IFAS did not track the date the services were completed for the County, allowing for reporting on payment status using only one of the three criteria outlined in the Texas Prompt Payment Act.

While PeopleSoft does track the dates goods are delivered and services are completed (as Receipt Date), in addition to the date an invoice is received (as Invoice Entered Date), PeopleSoft does not track the reasons for why a delay in payment may exist. The Harris County Attorney's Office advises that invoices are not considered overdue, for example, if the invoice is in dispute between a department and a vendor. According to the County Auditor's Office, an individual investigation into each invoice would be reportedly required to determine whether an individual delayed payment qualifies as an overdue payment.

To conduct this analysis across the requested fiscal years, using data from both IFAS and PeopleSoft, the date the invoice is "received" by the County is the only criterion used to determine payment status. This limitation means the data reviewed does not represent an entirely accurate universe of on-time and overdue payments—to the extent payment on an invoice is completed after 30 days is represented in the data, it only reflects a delay in payment and cannot be identified as overdue. The data used in this memo is the only data the County Auditor's Office has access to for all invoices and is only intended to provide some initial understanding into the County's adherence to the Texas Prompt Payment Act.

For purposes of this analysis, the terms "delayed" and "on-time" are used only in reference to one criterion outlined in the Texas Prompt Payment Act: the day the County received the invoice for goods and services.

- **Invoice Entered Date.** There are two issues with the Invoice Entered Date. First, both IFAS and PeopleSoft use unique and different data fields to capture the date a vendor invoice was scanned into IFAS or entered into PeopleSoft by Accounts Payable. The County Auditor's Office merged these fields to create a single dataset for analysis, which may have created inconsistencies in the "Invoice Entered Date" in the Analyst's Office master dataset, which may impact the analyzed processing times. However, any potential inconsistencies were determined not to be sufficiently substantial to jeopardize findings.

Second, vendors do not consistently send invoices to Accounts Payable as required by the County Auditor's Office.⁴ The start date used to identify each vendor transaction for this analysis is the date the vendor invoice was scanned into IFAS or entered into PeopleSoft by Accounts Payable—but the actual invoice may have been received earlier by another department.⁵ This issue does not appear in the data, but it is understood to exist from interviews with the County Auditor's Office and relevant County department staff, and it means that these analyses potentially understate the processing times of invoices.

- **IFAS-PeopleSoft Transition.** Harris County transitioned from IFAS to PeopleSoft on March 1, 2020 for processing and/or tracking financial transactions. Data collected during the early stages of the transition demonstrate some issues, which could be attributed to the implementation of PeopleSoft including changes in processes, and a learning curve at every stage of the purchase process (Purchasing, AP, departmental level, etc.) resulting in longer processing times.
- **FY2022.** FY2022 was not complete at the time this analysis was conducted, and the dataset for FY2022 only includes data for the first five months of the year. This period also includes the first end-year closeout, from FY2021 to FY2022, since implementing PeopleSoft. During this closeout, purchase orders were not migrated automatically in PeopleSoft from FY2021 to FY2022, requiring that purchase orders be recreated manually during the closeout period. This exercise may have created a backlog in March 2021 and had an impact on the data reviewed for Harris County's year-to-date on-time payments—especially given the limited timeframe reviewed.
- **COVID-19.** Starting in March 2020, Harris County prioritized remote work for all employees for whom that was possible with the COVID-19 pandemic. This abrupt transition to remote work impacted vendor invoice processing times across departments. To mitigate this impact, on April 7, 2020, Commissioners Court approved the County Auditor's request that any payments related to COVID-19 and delayed payments be approved by the County Auditor, disbursed by the County Treasurer, and presented to Commissioners Court at the next available regular meeting for ratification during the County's disaster declaration period to aid with accelerating payment processing times.

MWBE/SBE Data. An analysis of the MWBE/SBE transaction data collected by the County was not included in this memo due to concerns of the reliability of the data collected. The Harris County Auditor's Office and the Harris County Office of the Purchasing Agent highlighted key limitations for the data collected. The limitations, as understood, are as follows:

- Vendors are requested, but not required, to identify themselves as a MWBE on the Harris County Vendor Information form provided by the Harris County Office of the Purchasing Agent.^{iv}
- Vendors may opt to self-identify as MWBE. Documentation is requested, but not required, to certify whether a vendor qualifies as a MWBE. Documentation is only required to certify if a vendor identifies as a historically underutilized business (HUB) or small business enterprise (SBE).
- All MWBE data is currently entered manually into the PeopleSoft system by Harris County and is not verified after entry.

^{iv} Please refer to Appendix A for a copy of Harris County's Vendor Information form.

BACKGROUND

Harris County is responsible for providing a multitude of goods and services for Harris County residents.

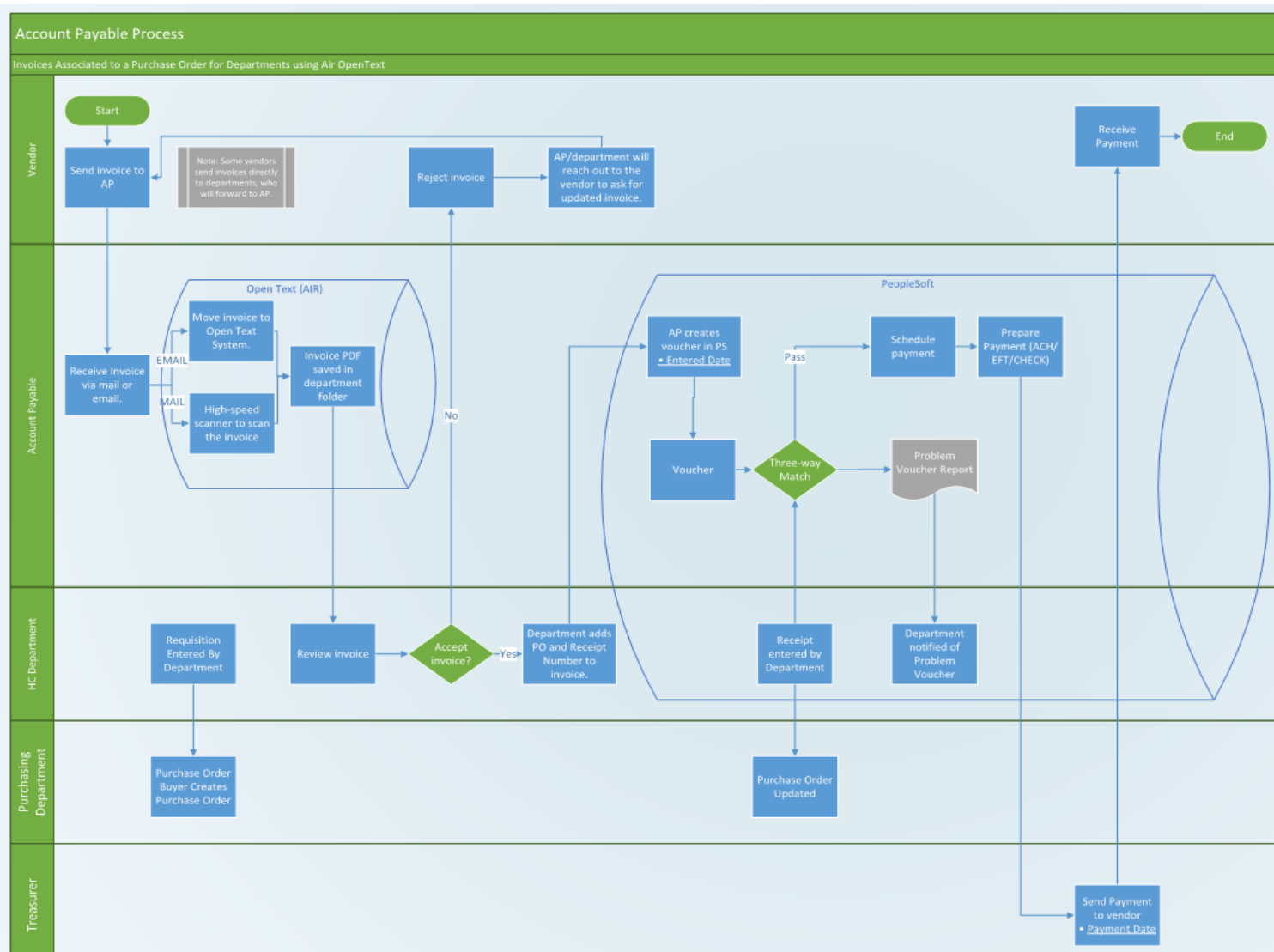
Harris County acquires goods and services essential to the operation of the County through the Harris County Office of the Purchasing Agent.⁶ The Harris County Auditor's Office reviews and approves "each claim, bill, and account against the county" for goods and services provided. A "claim, bill, or account may not be allowed or paid until it has been examined and approved by the auditor."⁷ Invoices approved by the Harris County Auditor's Office are then presented to the Commissioners Court—approval is required by Commissioners Court to release the funds.⁸ The Harris County Treasurer is then responsible for disbursing County funds.⁹ Harris County's fiscal year currently runs March 1 through the end of February of the following year. For the fiscal year of 2021, Harris County paid 214,472 vendor invoices.

Harris County's Vendor Payment Process. The following is a general description of Harris County's vendor payment process and the departments involved.¹⁰

1. A vendor sends an invoice to Accounts Payable (AP) within the Harris County Auditor's Office. A vendor might send an invoice directly to the department being charged in error, and it is the responsibility of the department to forward the invoice to AP.
2. For departments on AIR, AP moves electronic invoices into the AIR Open Text System. Invoices received via mail are digitally scanned. Invoices are then saved as PDFs and placed in the appropriate county department folder(s).
3. For departments that are not yet live with AIR, invoices received by AP are entered into STARS, and a voucher is placed in recycle status on the Problem Voucher Report (PVR). Departments run their PVR and provide AP with purchase order and receipt numbers for the vouchers listed once all goods and services have been received. Once AP applies the receipt against the PO, the voucher is cleared from the PVR and made ready for payment, barring any other exceptions.
4. Departments are tasked with reviewing invoices received to ensure accuracy and make sure no required information is missing. If the invoice is approved, the department adds the appropriate Purchase Order (PO) number and receipt number from PeopleSoft to the invoice and submits it back to AP.
5. When AP receives the invoice back from the department with the PO number and receipt number attached, a voucher is created in PeopleSoft. PeopleSoft then runs a "three-way match" to ensure that the voucher number, receipt number, and PO number are correct.
6. Payments approved by AP are then transmitted to the next scheduled meeting of Commissioners Court. Payments must be approved by the Commissioners Court in order to be dispersed to vendors.
7. Once approved by the Commissioners Court, the Harris County Treasurer's Office schedules and releases the funds to the appropriate vendors.

Figure 1 provides a visual representation of Harris County's Vendor payment process.

Figure 1



Data Source: Harris County Auditor's Office

LEGAL REVIEW

The Analyst's Office requested that the Harris County Attorney's Office (CAO) provide their legal review on the Texas Prompt Payment Act. The County Attorney's Office stated the following:

Texas Prompt Payment Act. Payments made by Harris County to vendors for goods and services received must adhere to the Texas Prompt Payment Act, which states:¹¹ Any contract executed after August 31, 1987 by a state agency, or political subdivision on the state, is overdue on the 31st day after the later of:

- The day the agency received the goods,
- The day the services were completed by the vendor for the agency, or
- The day the agency received the invoice for goods and services.
- A payment begins to accrue interest on the date the payment becomes overdue.
- Interest on an overdue payment stops accruing on the date the governmental entity or vendor mails or electronically transmits the payment.

Payment Due Date. The payment due date for the County with a vendor is 30 days after the later of: the date the County receives the goods under the contract; the date the performance of the service under the contract is completed for the County; or the date the County receives an invoice for the goods and services.

According to the Harris County Attorney's Office (CAO), the date the County receives an invoice is determined from the "the date a County employee, department, or officer receives an invoice."

Interest Accrued. According to the CAO, Harris County is "required to pay interest on overdue payments as required by the Texas Prompt Payment Act."

Dispute/County Liability. If the County disputes the amount due in an invoice, the CAO advises, "the County must promptly notify the vendor according to terms of the Texas Prompt Payment Act." If the County fails "to timely remit payment on an undisputed invoice", a vendor "may suspend performance until payment is received" and if applicable "may pursue a cause of action for breach of contract."

Completed Payment. The CAO advises that payment to a vendor is considered completed "when payment is mailed to the Vendor (a payment is considered mailed the date the payment is postmarked) or when an electronic funds transfer to the Vendor is initiated."

Other Applicable Laws. The CAO also determined that while there are other Texas statutes that detail payment requirements for governmental entities, as well as the Federal Prompt Payment Act (applicable only to federal contractors), none conflict with or supplant the Texas Prompt Payment Act.

Please refer to **Appendix B** for the entirety of the CAO's memo.

ASSESSMENT: LACK OF INTERNAL CONTROLS

The Texas Prompt Payment Act stipulates that payments are considered overdue if they are issued over 30 days after the later of the following three: the day the County receives the goods, or the day the services are completed by the vendor for the County, or the day the County receives the invoice for goods and services.

Data collected in IFAS and PeopleSoft does not allow for an analysis of payments across fiscal years that accurately reflects whether any payments made by the County are on-time or overdue in accordance with the Texas Prompt Payment Act.

IFAS tracked the date an invoice was received by the County (as the Invoice Entered Date), but IFAS did not track the date the County received goods from a vendor, and IFAS did not track the date the services were completed for the County, allowing for reporting on payment status using only one of the three criteria outlined in the Texas Prompt Payment Act.

While PeopleSoft does track the dates goods are delivered and services are completed (as Receipt Date), in addition to the date an invoice is received (as Invoice Entered Date), PeopleSoft does not track the reasons for why a delay in payment may exist. The Harris County Attorney's Office advises that invoices are not considered overdue, for example, if the invoice is in dispute between a department and a vendor. According to the County Auditor's Office, an individual investigation into each invoice would be reportedly required to determine whether an individual delayed payment qualifies as an overdue payment.

Without the ability to accurately track these key dates stipulated in the Texas Prompt Payment Act, the County accounting dashboards and systems cannot provide an accurate understanding of the extent to which the County adheres to the Texas Prompt Payment Act.

This inability to demonstrate adherence to the Texas Prompt Payment Act reflects a lack of internal control. Internal control, as defined by the US Government Accountability Office in the April 2021 Government Auditing Standards, is:

“...A process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity.”¹²

Specifically, the County lacks effective oversight to monitor the adherence to the Texas Prompt Payment Act due to the lack of adequate design of information systems to provide useful information to aid with oversight.¹³

This memo serves as an initial attempt to explore adherence to the Texas Prompt Payment Act and assess areas for improvement in monitoring adherence going forward.

DATA ANALYSIS: VENDOR PAYMENTS

Key Highlights. The following are key highlights from the analyses of the dataset covering the period of March 1, 2016 through July 31, 2021 of all of Harris County's vendor invoice payments:

- Of the **1,224,688 vendor invoices paid** in the period reviewed, Harris County issued payment to vendors **on-time for 90.6%** of all invoices (**1,109,879**). Harris County issued **delayed payment to vendors for 9.4%** of all invoices (**114,809**).
- For the five full fiscal years reviewed, FY2017 had the highest percentage of vendor payments completed on-time at **93.5%**.
- For the five full fiscal years reviewed, **the highest number of paid vendor invoices occurred in FY2020 at 236,972. The lowest amount of paid vendor invoices occurred in FY2021 at 214,472.**
- For the five full fiscal years reviewed, **FY2020 had the highest total cumulative dollar amount of vendor invoices paid at \$4,017,866,135 with FY2018 having the lowest total cumulative dollar amount of vendor invoices paid at \$2,951,250,908.**
- The total dollar amount of vendor invoices paid between FY2020 and FY2021 **decreased by over a billion dollars (\$1,522,609,473).** During that same timeframe, the total number of invoices decreased by **9.5%**.
- By quarter, Q1 FY2017 (March - May 2016) had the highest percentage of on-time vendor payments at **94.1% (50,496).** Q1 FY2021 (March - May 2020) had the lowest percentage of on-time vendor payments at **81.4% (38,204).**
- For the five full fiscal years reviewed, FY2021 had the lowest number of average days for Harris County to complete on-time vendor payments, at **10.6 days.**
- FY2017 had the lowest average number of days for Harris County to complete vendor payments at **14.8 days,** and FY2019 had the highest average number of days to complete vendor payments at **17.1 days.**
- The implementation of AIR has not resulted in a consistent reduction in the average number of days to complete vendor payments. **Only four out of nine departments reviewed saw a consistent reduction in the average number of days to complete vendor payments post AIR implementation.**
- According to the County Auditor's Office, **no interest was paid on overdue payments for the fiscal years reviewed in this memo.**

PERCENTAGE OF ON-TIME AND DELAYED VENDOR PAYMENTS COMPLETED BY HARRIS COUNTY BY FISCAL YEAR

For the period March 1, 2016 - July 31, 2021, Harris County paid 1,224,688 vendor invoices. Of those invoices, Harris County issued payment to vendors on time (i.e., by or within 30 days of the date the invoice is entered in IFAS or PeopleSoft) for 90.6% (1,109,879) of all invoices. Harris County issued payment to vendors after the 30-day period for 9.4% (114,809) of all invoices for this period.

Figure 2 presents the percentage of vendor invoices for which Harris County issued on-time and delayed payments by fiscal year.^v

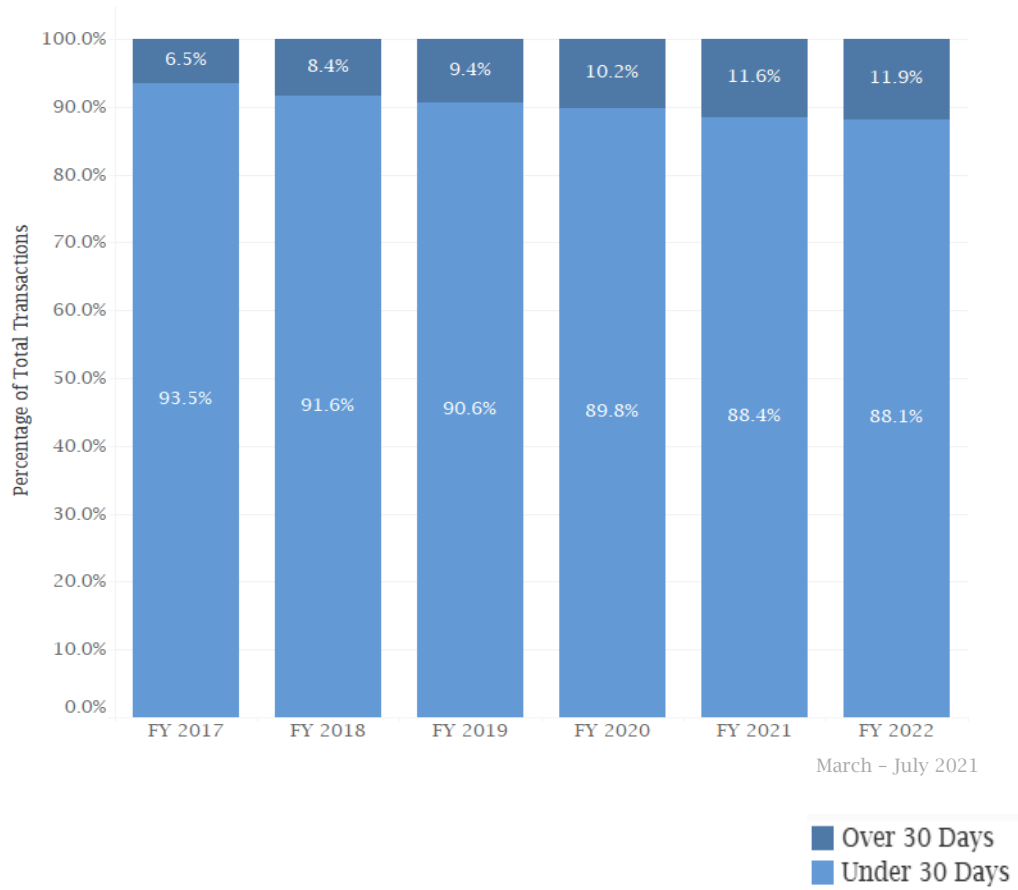
In FY2017, Harris County made more vendor payments on-time at 93.5% (215,309) than any other year analyzed. However, since FY2017, there has been a decline in the percentage of on-time payments made by Harris County to vendors. The Harris County Auditor's Office advises that changes in payment processing times may be due to:

- Reduced availability of relevant staff beginning in FY2018 due to demands on staff time for planning for and implementing the PeopleSoft system, and
- The impact of the transition to work from home by most Harris County employees due to the COVID-19 pandemic in FY2021 through FY2022.

^v Harris County's fiscal year covers March 1 through the end of February of the following year. Additionally, FY 2022 is not a complete fiscal year as the data only includes the period of March 1, 2021 through July 31, 2021.

Figure 2

Percentage of On-Time and Delayed Vendor Payments Completed by Harris County by Fiscal Year
March 1, 2016 – July 31, 2021



Data Source: Harris County Auditor's Office

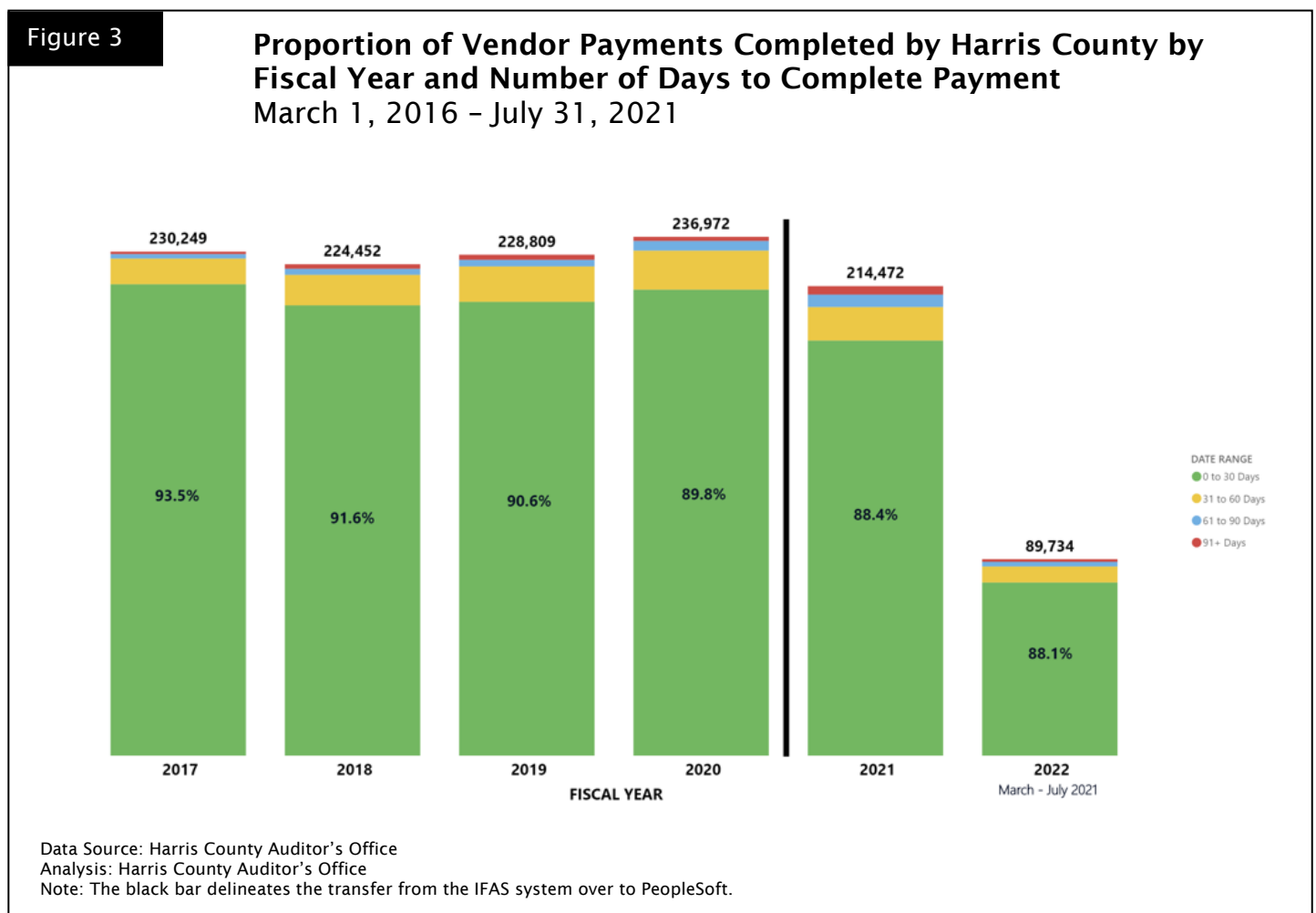
Analysis: Commissioners Court's Analyst's Office

Note: FY2022 only includes data for the period of March 1, 2021 through July 31, 2021

VENDOR PAYMENTS COMPLETED BY FISCAL YEAR AND NUMBER OF DAYS TO COMPLETE PAYMENT

Figure 3 presents all vendor invoices paid by Harris County by fiscal year and the number of days Harris County took to issue payment to vendors for the period of March 1, 2016 – July 31, 2021.^{vi}

As seen in Figure 3, for the five full fiscal years reviewed FY2020 had the highest number of total vendor invoices at 236,972 and FY2021 had the lowest number at 214,472.^{vii} The total number of vendor invoices Harris County processed decreased 9.5% (22,500) from FY2020 to FY2021 and may in part be due to the COVID-19 pandemic.



Appendix C provides a complete account of the data visually represented in Figure 3.

^{vi} Harris County's fiscal year covers March 1 through the end of February of the following year. Additionally, FY 2022 is not a complete fiscal year as the data only includes the period of March 1, 2021 through July 31, 2021.

^{vii} FY2022 is not referenced as the data only covers the period of March 1, 2021 through July 31, 2021 and therefore is not a complete fiscal year.

CUMULATIVE DOLLAR AMOUNT FOR PAYMENTS COMPLETED BY FISCAL YEAR AND NUMBER OF DAYS TO COMPLETE PAYMENT

Figure 4 presents all payments on vendor invoices made by Harris County by fiscal year and the number of days Harris County took to issue payment to vendors for the period of March 1, 2016 – July 31, 2021, by the cumulative dollar amount paid.^{viii}

For the five full fiscal years reviewed, FY2020 had the highest total cumulative dollar amount of vendor invoices at \$4,017,866,135; FY2018 had the lowest total cumulative dollar amount of vendor invoices at \$2,951,250,908.^{ix} FY2020 also had the highest total cumulative dollar amount of delayed payments made at \$247,461,163 while FY2018 had the lowest total cumulative dollar amount of delayed payments made at \$140,048,870.

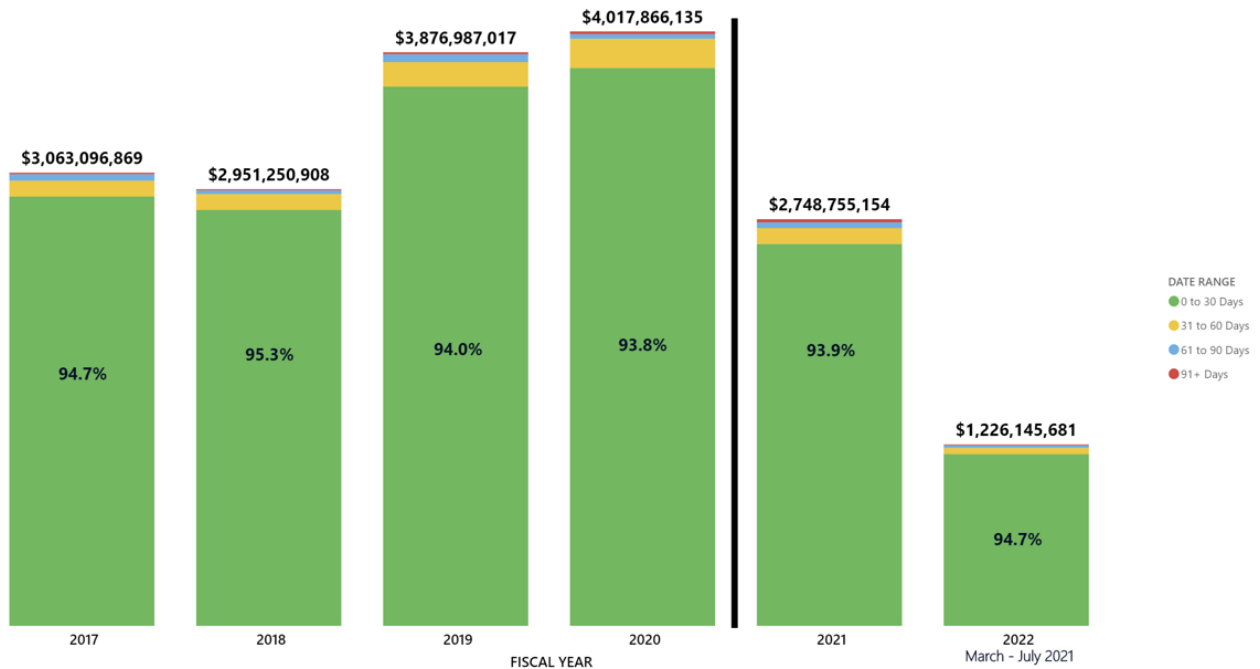
When comparing data from Figure 3 and Figure 4, the data largely follows the same trend, though overall spending on vendor invoices increases in FY2019 and FY2020. That said, while FY2018 did not have the highest percentage of vendor payments completed within the 30-day period, it did have the lowest dollar amount of delayed payments made by Harris County at \$140,048,870.

^{viii} Harris County's fiscal year covers March 1 through the end of February of the following year. Additionally, FY 2022 is not a complete fiscal year as the data only includes the period of March 1, 2021 through July 31, 2021.

^{ix} FY2022 is not referenced as the data only covers the period of March 1, 2021 through July 31, 2021 and therefore is not a complete fiscal year.

Figure 4

Cumulative Total Dollar Amount for Payments Completed by Fiscal Year and Number of Days **March 1, 2016 – July 31, 2021**



Data Source: Harris County Auditor's Office
 Analysis: Harris County Auditor's Office
 Note: The black bar delineates the transfer from the IFAS system over to PeopleSoft.

Appendix D provides a complete account of the data visually represented in Figure 4.

ON-TIME AND DELAYED PAYMENTS BY FISCAL QUARTER AND NUMBER OF DAYS TO COMPLETED PAYMENT

Figure 5 presents percentages and numbers of on-time and delayed payments to vendors by Harris County by fiscal quarter for the period of March 1, 2016 - July 31, 2021. Harris County's fiscal year starts March 1 and runs through the end of February of the following calendar year.^{*}

As seen in Figure 5, Q1 FY2017 (March – May 2016) had the highest percentage of on-time vendor payments at 94.1% (50,496). Q1 FY2021 (March – May 2020) had the lowest percentage of on-time vendor payments at 81.4% (38,204). The Harris County Auditor's Office advises vendor payment processing times may have been impacted by the transition from the IFAS system to PeopleSoft, which commenced in March 2020 and continued through September 2020, and by the transition to work from home for County employees due to the COVID-19 pandemic.

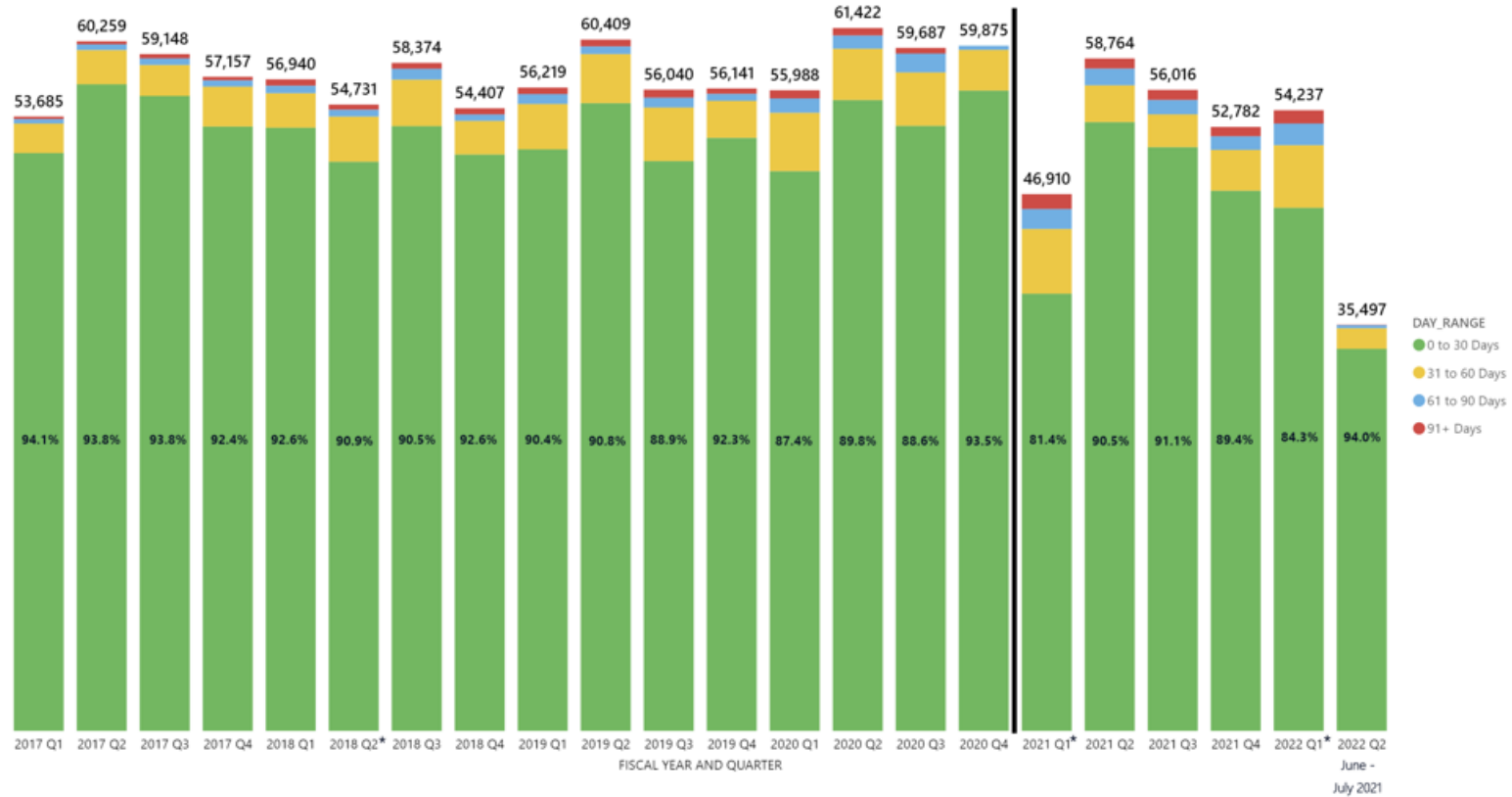
Other events that may have impacted vendor payment processing times are represented in Figure 5 with an asterisk by the quarter in which they occurred. They are as follows: Hurricane Harvey (Q2 FY2018), the transition from IFAS to PeopleSoft as well as the COVID-19 pandemic (Q1 FY2021), and the first year-end PeopleSoft closeout and Winter Storm Uri (Q1 FY2022).

Appendix E provides a detailed account of the data represented in Figure 5.

^{*} Harris County's fiscal year covers March 1 through the end of February of the following year. Additionally, FY2022 is not a complete fiscal year as the data only includes the period of March 1, 2021 through July 31, 2021. As such, data for Q2 FY2022 only includes data for June and July of 2021.

Figure 5

Proportion of Vendor Payments Completed by Harris County by Fiscal Quarter and Number of Days to Complete Payment March 1, 2016 – July 31, 2021



Data Source: Harris County Auditor's Office

Analysis: Harris County Auditor's Office

Note: Q2 FY2022 only includes data for the period of June-July 2021.

Note: The black bar delineates the transfer from the IFAS system over to PeopleSoft.

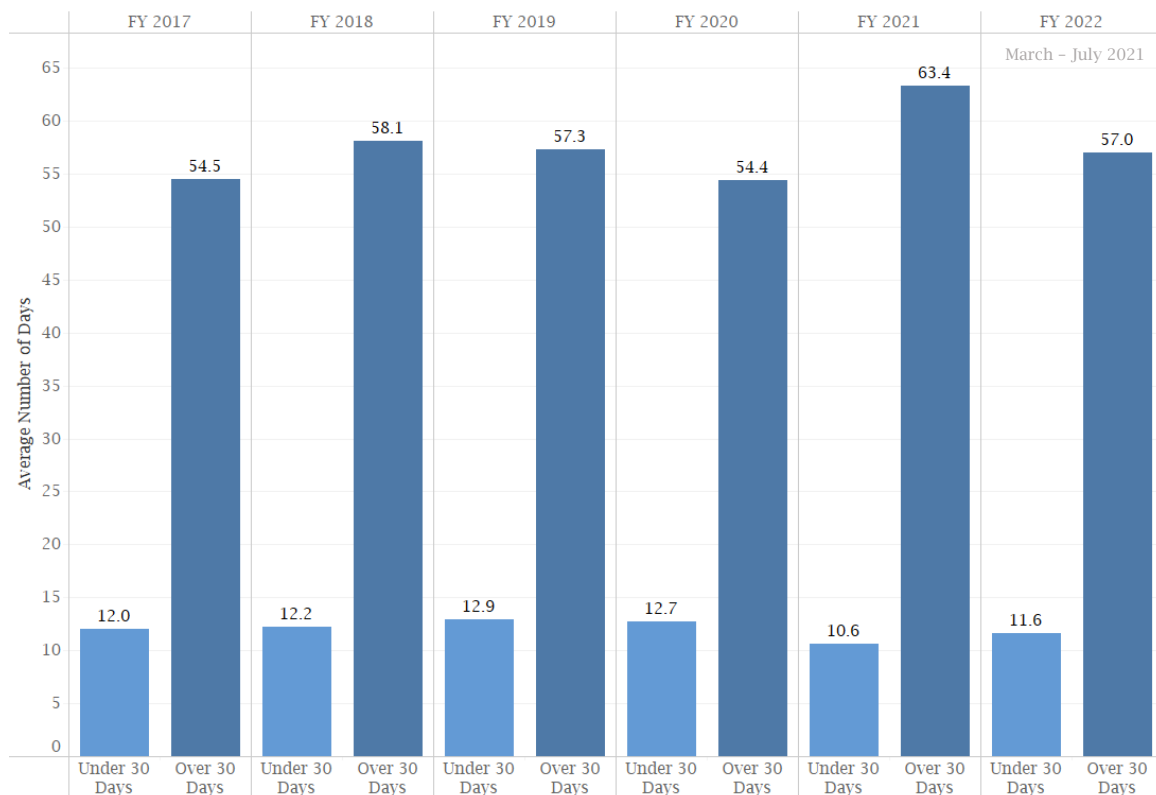
AVERAGE NUMBER OF DAYS TO COMPLETE ON-TIME AND DELAYED VENDOR PAYMENTS BY FISCAL YEAR

Figure 6 presents the average number of days taken to complete on-time and delayed vendor payments for the period of March 1, 2016 – July 31, 2021 by fiscal year.^{xi}

As seen in Figure 6, FY2021 had the lowest number of average days for Harris County to complete on-time vendor payments, at 10.6 days. For the same fiscal year, there was an increase in the average number of days taken to process delayed vendor payments. Improvements may have been seen from the March 2020 transition to PeopleSoft, however, the transition may have meant that extra time was required to resolve issues with vendor payments, resulting in greater delays for delayed payments.

Figure 6

Average Number of Days Taken to Complete On-Time and Delayed Vendor Payments by Harris County by Fiscal Year March 1, 2016 – July 31, 2021



Data Source: Harris County Auditor's Office
 Analysis: Commissioners Court's Analyst's Office
 Note: FY2022 only includes data for the period of March 1, 2021 through July 31, 2021

Appendix F provides a list of the average number of days it took Harris County to complete on-time and delayed vendor payments by County Department, fiscal year, and quarter.

^{xi} Harris County's fiscal year covers March 1 through the end of February of the following year. Additionally, FY2022 is not a complete fiscal year as the data only includes the period of March 1, 2021 through July 31, 2021.

AVERAGE AND MEDIAN NUMBER OF DAYS TO COMPLETE ON-TIME AND DELAYED VENDOR PAYMENTS BY FISCAL YEAR

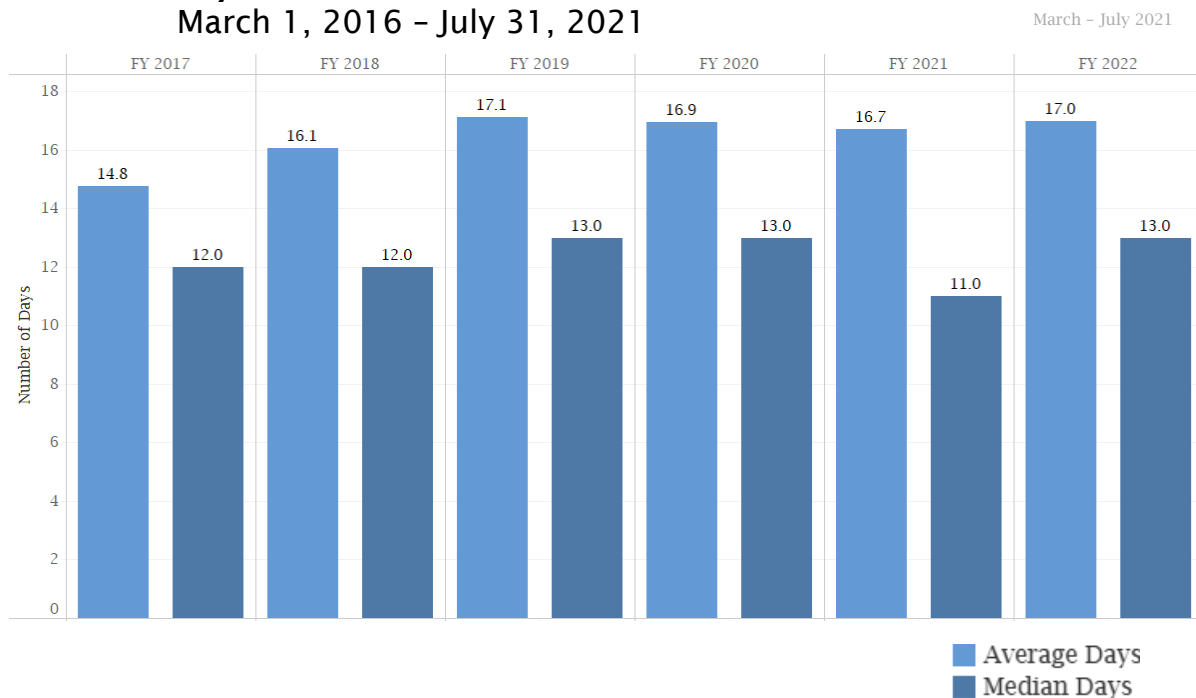
Figure 7 presents the average and median number of days Harris County took to complete payments for all vendor invoices for the period of March 1, 2016 – July 31, 2021 by fiscal year.^{xii}

As seen in Figure 7, FY2017 had the lowest average number of days for Harris County to complete vendor payments at 14.8 days, FY2019 had the highest average number of days to complete vendor payments at 17.1 days.

The median number of days for Harris County to complete vendor payments is less than the average for each fiscal year. This demonstrates that there are a few delayed payments each fiscal year with higher processing times, which inflate the average.

Figure 7

Average and Median Number of Days to Complete Vendor Payments March 1, 2016 – July 31, 2021



Data Source: Harris County Auditor's Office

Analysis: Commissioners Court's Analyst's Office

Note: FY2022 only includes data for the period of March 1, 2021 through July 31, 2021

^{xii} Harris County's fiscal year covers March 1 through the end of February of the following year. Additionally, FY 2022 is not a complete fiscal year as the data only includes the period of March 1, 2021 through July 31, 2021.

AVERAGE NUMBER OF DAYS TO COMPLETE VENDOR PAYMENTS PRE- AND POST- AIR IMPLEMENTATION BY COUNTY DEPARTMENT

The Audit Invoice Review (AIR) Open Text System is used by the Harris County Auditor's Office Account Payable to send PDF invoices to relevant County departments for departmental review. AIR is expected to make the vendor payment process more efficient and reduce invoice processing times. AIR only captures invoices that will be paid on a purchase order (PO).^{xiii}

The Harris County Auditor's Office anticipates having all County departments using AIR by February 2022. At the time of publication of this memo, 40 Harris County departments are using AIR.¹⁴ While the first departments to adopt the AIR system began using it in October 2020, AIR invoice processing data was reportedly not logged until January 1, 2021. The County Auditor's Office provided the Analyst's Office with data for nine departments which have been operating with AIR for at least two months and have sufficient data to be analyzed.

For this analysis, the Analyst's Office compared the average number of days to complete vendor payments for the three months prior to the specific department being placed on AIR against the average number of days to complete vendor payments the following month after a department was placed on AIR.^{xiv}

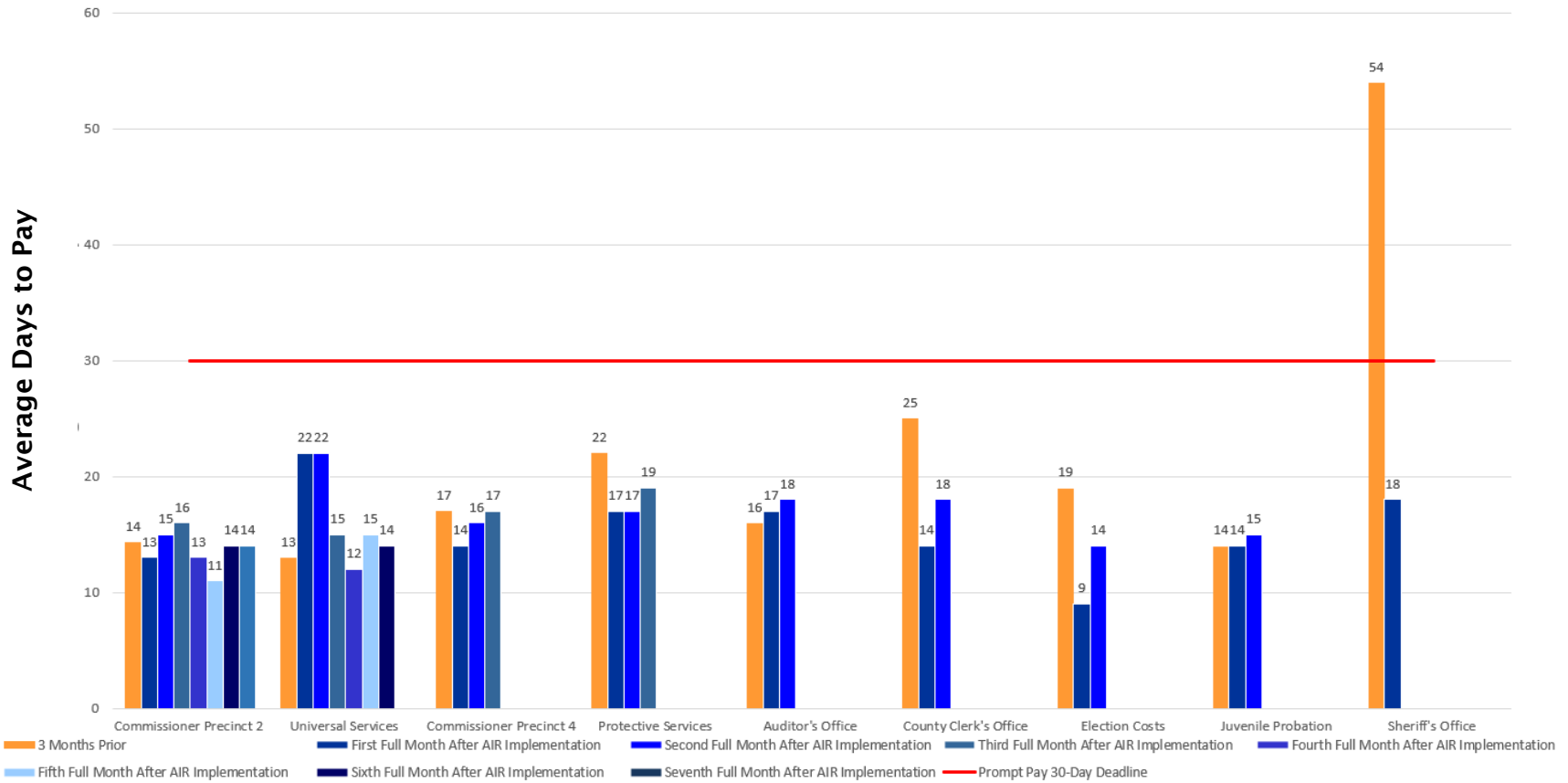
The implementation of AIR has not resulted in a consistent reduction in the average number of days to complete vendor payments for the nine departments reviewed. **Figure 8** reflects that four departments demonstrated consistent reduction since implementing AIR: Protective Services, the County Clerk's Office, the Election Administrator's Office (Election Costs), and the Sheriff's Office.

^{xiii} The Harris County Auditor's Office processes two types of claims. The first type involves invoices that have purchase orders (PO). The second type involves certain items that do not require a PO, which are submitted electronically by the department, along with their approval to AP for processing.

^{xiv} The only exception to this was the Harris County Sheriff's Office which was placed on AIR on May 28, 2021. Due to being placed on AIR at the very end of May, post AIR implementation data analysis begins in July 2021 to allow for the full implementation month of June.

Figure 8

Average Number of Days to Complete Vendor Payments Pre- and Post- AIR Implementation by County Department **March 1, 2016 – July 31, 2021**



Data Source: Harris County Auditor's Office
 Analysis: Commissioners Court's Analyst's Office

VENDOR PAYMENTS COMPLETED BY FISCAL YEAR AND NUMBER OF DAYS TO COMPLETE PAYMENT

The Texas Prompt Payment Act requires that Harris County pay vendors within a specified timeframe, and that vendors are paid a specified amount of interest on payments made outside of that timeframe.

According to the Harris County Auditor's Office, no interest was paid on overdue payments for the fiscal years reviewed in this memo.

MWBE/SBE VENDOR TRACKING

An analysis of the MWBE/SBE transaction data was excluded from this memo due to concerns about the validity of the data from the Harris County Auditor's Office and the Harris County Office of the Purchasing Agent, as discussed in the Methodology section of this memo. In summary:

- Vendors are requested, but not required to identify themselves as MWBE on the Harris County Vendor Information form provided by the Harris County Office of the Purchasing Agent.^{xv}
- Vendors may opt to self-identify as MWBE. Documentation is requested to certify whether a vendor qualifies as a MWBE. Documentation is only required to certify if a vendor identifies as a historically underutilized business (HUB) or small business enterprise (SBE).
- All MWBE data is currently entered manually into the PeopleSoft system by Harris County and is not verified after entry.

The Harris County Department of Economic Equity and Opportunity (DEEO) is working to improve the County's tracking of MWBE vendors and recently acquired the B2Gnow diversity management software to address this issue. B2Gnow is designed to automate data-gathering, tracking, reporting, vendor management, and administrative processes.¹⁵ Specifically, B2Gnow allows clients to manage and track their MWBE/SBE programs and vendors in order to reach their diversity goals.¹⁶ The tracking of payments to subcontractors can be accomplished through the Contract Compliance module in B2Gnow.^{xvi} Additionally, B2Gnow will allow the County to match existing vendors with lists of qualifying MWBE vendors (contractors and subcontractors) to assess past utilization of MWBE vendors.

^{xv} Refer to Appendix A for a copy of Harris County's Vendor Information form.

^{xvi} The B2Gnow system is being utilized by other jurisdictions to track payments to subcontractors. These include Bexar County, TX; Travis County, TX; Dallas County, TX; Allegheny County, PA; Cook County, IL; City and County of Denver, CO; and Cuyahoga County, OH. Public Sector Organizations Using B2Gnow (n.d). B2Gnow. Provided by Ayanna Lawrence: Account Director B2Gnow. Email correspondence October 26, 2021.

ACTION PLAN

The Office of County Administration (OCA) requested that the Analyst's Office create an action plan to address identified issues in the County's vendor payment process, which may cause Harris County to be out of compliance with Texas Prompt Payment Act.

The summary of identified issues is collected both from analysis conducted by the Analyst's Office with the County Auditor's Office, and from interviews conducted with six County departments, three high-performing and three low-performing based on payment timeliness.

Summary of Identified Issues

Harris County issued payment to vendors after the 30-day period for 9.4% of all invoices (114,809) for the period reviewed. While the County Auditor's Office identified the impacts of both the County's transition from IFAS to PeopleSoft as well as the COVID-19 pandemic as key issues for these delays, other issues identified are reportedly contributing to delays with issuing vendor payments.

County Department Issues

1. County department staff report not receiving adequate training on how to process vendor invoices.^{xvii}
2. County department staff report some individuals may not be aware of the required timeframe for processing a vendor invoice.^{xviii}
3. County department staff report staff turnover and inconsistent onboarding of new staff tasked with processing vendor invoices.^{xix}
4. County department staff report not having sufficient staff to process the number of invoices received in a timely manner.^{xx}
5. County department staff report not having an internal department procedure for identifying and tracking new invoices arriving with Accounts Payable.^{xxi}
6. County Auditor's staff report departments may not be monitoring purchase orders for sufficient funds to process payment.
7. County Auditor's staff report departments may be disputing received invoices for reasons unknown to Accounts Payable staff.
8. County Auditor's staff report departments may not be maintaining proper documentation (e.g., received for goods) to process payment.
9. County Auditor's staff report departments have minimal reports and dashboards to adequately monitor the timeliness of invoice processing.
10. Purchasing and the County Auditor's staff report no consistent tracking of MWBE firms.

Vendor Issues

11. The County Auditor's staff and County department staff report vendors are not sending payments to Accounts Payable directly.^{xxii}

^{xvii} Four out of the six County departments interviewed reported this as an issue.

^{xviii} Four out of the six County departments interviewed stated this as an issue.

^{xix} Two out of the six County departments interviewed stated this as an issue.

^{xx} Two out of the six County departments interviewed stated this as an issue.

^{xxi} Four out of the six County departments interviewed stated this as an issue.

^{xxii} Two out of the six County departments interviewed stated this as an issue.

12. County department staff report invoices received from Accounts Payable contain missing/incorrect information.

Accounts Payable Issues

13. County department staff report receiving duplicative invoices from Accounts Payable.^{xxiii}
14. County Auditor's Office staff report that payments made to vendors must be first approved by the Commissioners Court before the funds can be released. If prepared invoices are not submitted in time, they are then delayed until the next meeting of the Commissioners Court.
15. County Auditor's Office staff report no interest has been or is currently paid on overdue payments to vendors for the fiscal years reviewed in this memo.
16. County Auditor's Office staff report PeopleSoft does not accurately track overdue payments.

Proposed Action Plan

The Analyst's Office proposes the following action plan to improve Harris County's compliance with the Texas Prompt Payment Act. This plan was developed using a review of Accounts Payable Audits for the following jurisdictions: Anchorage, Alaska; Citrus County, Florida; Fort Worth, Texas; The University of Texas at El Paso, Texas, in addition to findings in the *Procure-to-Pay Workflow Process Assessment Project* produced for the City of Fort Collins, Colorado by BerryDunn.¹⁷

The proposed action plan consists of three phases over a six-month period. Each action is associated with an issue listed in the preceding summary.

Phase I: 0-2 Months

During this period, the following should be implemented:

1. **Develop Training:** County Auditor's Office staff should commence development of a new training module to complement existing training available, or a revision of existing training modules, which should highlight:
 - Statutorily-mandated timelines for processing vendor invoices;
 - Clear protocol for department staff to monitor new invoices sent from Accounts Payable; and
 - Key highlights from the County Auditor's County-Wide Accounting Procedure, such as vendor invoices should be sent directly to Accounts Payable (Procedure D.1).(Reference Issues 1,2,5,6,8,11)
2. **Improve Internal Controls:** The County Auditor's Office has started developing dashboards to assist departments with their review of outstanding invoices. The dashboards will provide department-specific and county-wide information from PeopleSoft and AIR. Department-specific information will include an aging of the department's outstanding invoices, a department's average processing time, and what processing steps are outstanding (e.g., receiving, adding budget to a PO, inspection). County-wide information will provide county-wide processing averages and comparative information to other departments.

^{xxiii} One out of the six County departments interviewed stated this as an issue.

Preliminary dashboard designs have been presented to the ERP Executive Steering Committee. Departmental input will be sought, prior to finalization, once the designs are more fully developed and dashboard elements become operational. The anticipated rollout target is the end of January 2022. (Reference Issues 5,6,7,8,16)

3. **Review Department Staffing:** Office of Management and Budget should consult with County departments during the FY2023 budget cycle to ensure all departments have adequate staff to process vendor payments. (Reference Issues 3,4)
4. **Contact Vendors with Consistent Issues:** The County Auditor's Office should work with the Office of the Purchasing Agent to review communications with vendors to ensure that all communications with vendors regarding invoice processing make clear that any invoices should be sent directly to Accounts Payable for processing. The County Auditor's Office should develop a plan for contacting vendors with recurring issues. (This is an ongoing exercise that will extend beyond the timeframe of this Action Plan.) (Reference Issue 11)
5. **Remove Duplicate Vendors:** The County Auditor's Office should review vendor data for duplicate vendor names and other inconsistencies in vendor profile data, and remove old, incorrect, or entirely duplicative profiles.^{xxiv} The County Auditor's Office began a review of duplicative vendors in FY2021 and has reportedly made significant strides over the past 18-months and will continue addressing the issue. (This is an ongoing exercise that will extend beyond the timeframe of this Action Plan.) (Reference Issues 12,13)
6. **Track MWBE Vendors:** The Office of the Purchasing Agent, Department of Economic Equity and Opportunity, and the County Auditor's Office should continue moving forward with their implementation of the B2Gnow diversity management system and require tracking of MWBE vendors. (This is an ongoing exercise that will extend beyond the timeframe of this Action Plan.) (Reference Issue 10)
7. **Apply Interest:** The County Auditor's Office should commence developing a policy for applying interest to overdue payments. (Reference Issue 15)
8. **Integrate AIR Data into PeopleSoft:** The County Auditor's Office should undertake integrating AIR data into the PeopleSoft system to create a unified timeline for the vendor payment process. It is recommended that the County Auditor's Office work with Office of Management and Budget to hire an open text specialist to assist in this process. (Reference Issue 9)
9. **Expand Use of AIR:** The County Auditor's Office should move forward with adding County departments to AIR to aid with improving vendor payment processing times. While initial data is inconclusive on whether the AIR Open Text system consistently improves department's vendor invoice processing times, the County Auditor's Office anticipates improvements to be shown in the long term. (Reference Issue 9)

^{xxiv} Recommendation included in the Accounts Payable Audit for Citrus County, Florida.

10. **Consider Business Court:** The Office of County Administration should consider the recommendation from the OCA workgroup, Open for Business, that they meet with the County Judge and Commissioners to discuss the possibility of holding a “Business Court” on weeks that there are no formal Commissioners Court meetings to allow for bills to be approved for payment on a more continual basis. (Reference Issue 14)

Phase II: 2-4 Months

During this period, the following should be implemented:

1. **Develop Training, continued:** The County Auditor’s Office should release an online training module to address issues identified. This module should be easily accessible by all appropriate County department staff and should be made mandatory for new and existing staff. The County may consider making the training required annually to ensure all staff are up-to-date on processes and requirements. The County Auditor’s Office may want to collect feedback on developed trainings from relevant department staff to ensure they continue to meet department needs. (Reference Issues 1,2,5,6,8,11)
2. **Improve Internal Controls, continued:** The County Auditor's Office should finalize the development of dashboards to assist departments with their review of outstanding invoices (January 2022 target rollout date). (Reference Issues 5,6,7,8,16)
3. **Integrate AIR Data into PeopleSoft, continued:** The County Auditor’s Office should continue working to integrate AIR data into the PeopleSoft system to create a unified timeline for the vendor payment process. If budget approval is granted for an open text specialist, the County Auditor’s Office should post for this position. (Reference Issue 9)
4. **Expand Use of AIR, continued:** The County Auditor’s Office should continue moving forward with adding County departments to AIR to aid with improving vendor payment processing times. (February 2022 target completion date) (Reference Issue 9)

Phase III: 4-6 Months

During this period the following should be implemented:

1. **Expand Use of AIR, continued:** With the completion of all County departments being placed on the AIR Open Text system (February 2022), the County Auditor’s Office should establish the requirement that each County department will conduct monthly quality control audits of at least 2% of their monthly invoices to ensure proper processing times.^{xxv} This may require the County Auditor seek approval from Commissioners Court on a policy for all departments. (Reference Issue 9)

^{xxv} Recommendation included in the Accounts Payable Audit for Fort Worth, Texas.

2. **Review Invoice Processing Times:** The County Auditor's Office should report on the status of invoice processing times to the ERP Executive Steering Committee at the conclusion of the six-month period to review the initial performance of implemented changes. The County Auditor may request that the Analyst's Office support the County Auditor's Office with this review.

APPENDIX A



DeWight Dopsiauf, C.P.M., CPPO
Harris County Purchasing Agent

VENDOR INFORMATION			
Company Name:			
Contact Person:			
Address:	Address:		
	City:	State:	Zip Code:
Phone Number:	()	Fax Number:	()
Email Address:			
Federal Tax ID or Social Security No.			
Have you conducted business before with Harris County	<input type="checkbox"/> Yes <input type="checkbox"/> No. If YES, under what name:		
Are you a HUB Certified Vendor? <input type="checkbox"/> Yes <input type="checkbox"/> No. ➤ Please complete information requested below and fax this form with a copy of your SBE and/or HUB Certificates and Form W-9 (if applicable) to the Harris County Purchasing Department (713) 755-6695.			
Certifying Source:	<input type="checkbox"/> City	<input type="checkbox"/> Federal	<input type="checkbox"/> State <input type="checkbox"/> Other
Certificate Number:		Name of Certifying Entity:	
Beginning Date:		Expiration Date:	
Please check all applicable categories:			
<input type="checkbox"/> Small Business Enterprise (SBE)			
HUB:			
<input type="checkbox"/> Minority Business Enterprise (MBE)		<input type="checkbox"/> Disadvantaged Business Enterprise (DBE)	
<input type="checkbox"/> Women Business Enterprise (WBE)		<input type="checkbox"/> Persons with Disabilities Business Enterprise (PDBE)	
FOR PURCHASING USE ONLY			
Buyer Name:		Phone Number:	Date:
Purpose:			
<input type="checkbox"/> New Vendor		<input type="checkbox"/> Update Information Vendor #:	
Verification of the following attached:			
<input type="checkbox"/> EPLS	<input type="checkbox"/> Harris County Tax Office	<input type="checkbox"/> OIG	

Source: Harris County Office of the Purchasing Agent

APPENDIX B



OFFICE OF THE
HARRIS COUNTY ATTORNEY
CHRISTIAN D. MENEFEE

MEMO

To: Jay Aiyer; Amber Weed
Cc: Christy Gilbert; DeAnne Lin; Errika Perkins
From: Manasi Tahiliani
Date: November 10, 2021
Subject: Texas Prompt Payment Act

EXECUTIVE SUMMARY

Under the Texas Prompt Payment Act, payments begin to accrue on the date a Harris County employee, department, or officer receives an invoice. But an exception to the rules on payment applies if an invoice is not mailed to the person to whom it is addressed in strict accordance with any instruction on a purchase order. Payments to a vendor are considered complete on the date a mailed payment is postmarked or the date an electronic funds transfer is initiated. Various Texas statutes detail payment requirements for governmental entities but do not supplant the Texas Prompt Payment Act. Similarly, a Federal Prompt Payment Act governs federal contracts but does not supersede the Texas Prompt Payment Act for local/state contracts.

Harris County is required to pay interest on overdue payments as required by the Texas Prompt Payment Act. If Harris County disputes the amount due in an invoice, the County must promptly notify the vendor according to the terms of the Texas Prompt Payment Act. If Harris County fails to timely remit payment on an undisputed invoice, the vendor may suspend performance until payment is received. If applicable, the vendor may also pursue a cause of action for breach of contract.

ISSUES PRESENTED AND BRIEF ANSWERS

- 1) Does the payment due date begin when a County employee receives an invoice or when Accounts Payable receives an invoice?

Payments begin to accrue the date a County employee, department, or officer receives an invoice. However, an exception to the payment timeline rules does exist, outlined below in Issue 4.

- 2) When is payment considered completed to the Vendor?

Payment to a Vendor is completed when payment is mailed to the Vendor (a payment is considered mailed the date the payment is postmarked) or when an electronic funds transfer to the Vendor is initiated.

- 3) Are there any other state or federal laws applicable to Harris County with regard to payments by a governmental entity to a Vendor?

Other Texas statutes (outlined below) detail payment requirements for governmental entities but do not conflict with or supplant the Texas Prompt Payment Act. Congress has enacted a Federal Prompt Payment Act which governs payments for federal contracts and provides additional language regarding what constitutes a proper invoice (see below). While the Federal Prompt Payment Act can provide guidance to Harris County, it does not supersede the Texas Prompt Payment Act.

- 4) Is there any recourse if an invoice is sent in breach of language contained in the purchase order?

The Texas PPA provides an exception to the rules regarding payment timelines, stating that the time for payment does not apply if an invoice is not mailed to the person to whom it is addressed in strict accordance with any instruction on the purchase order relating to the payment. Thus, if a vendor addresses an invoice to the Harris County Auditor (as required by the purchase order) but the invoice is provided to the department, then arguably the County can calculate the payment due date based on the date the Harris County Auditor receives the invoice.

- 5) Is Harris County required to pay interest on overdue payments?

Harris County is required to pay interest on overdue payments. Sections 2251.025 and 2251.027 of the Texas Prompt Payment Act apply to counties and a vendor can recover interest from a county for overdue payments. The plain language of the statute, including the use of the term “shall”, has been construed narrowly and strictly by courts of law and a governmental entity such as a county shall compute interest as required by these sections.

- 6) Can Harris County dispute payments?

Harris County can dispute payments per the terms of 2251.042. This section provides that Harris County must dispute an invoice no later than 21 days after the County receives the invoice. If a dispute is resolved in favor of a vendor, the vendor is entitled to receive interest on the unpaid balance of the invoice. If a dispute is resolved in favor of Harris County, the vendor must submit a corrected invoice that must be paid in accordance with the terms of the Texas Prompt Payment Act.

- 7) What is Harris County’s liability for nonpayment?

If Harris County fails to pay an undisputed invoice, a vendor may suspend performance but must first give proper written notice. A vendor who properly suspends performance is not required to supply further labor/services/materials until the vendor is paid. In addition to a claim under the Texas Prompt Payment Act, a vendor is entitled to sue Harris County for breach of contract (if applicable).

LEGAL ANALYSIS/DISCUSSION

Issue 1: Date Payments Begin to Accrue

The Texas Prompt Payment Act (the “Texas PPA”), codified under Chapter 2251 of the Texas Government Code, outlines payment requirements for state and local contracts with state agencies or political subdivisions. Section 2251.021 of the Texas PPA outlines deadlines for payment by a governmental entity as follows:

- (a) Except as otherwise provided by this section, a payment by a governmental entity under a contract executed on or after September 1, 1987, is overdue on the 31st day after the later of:
- (1) the date the governmental entity receives the goods under the contract;
 - (2) the date the performance of the service under the contract is completed; or
 - (3) the date the governmental entity receives an invoice for the goods or services.

Texas Gov’t Code § 2251.001 contains various definitions for purposes of the Texas PPA, including defining a “governmental entity” as a “state agency or political subdivision of this state.”^{xxvi} A “political subdivision” is further defined as a county, municipality, public school district, or special-purpose district or authority.^{xxvii}

The Texas PPA does not specifically define the term “county.” Looking to other statutes for guidance, Chapter 161 of the Local Government Code defines a “county employee” as a “person employed by the county or a county officer and includes a person employed in the judicial branch of the county government who is not subject to the Code of Judicial Conduct.”^{xxviii} The statute defines a “county officer” as a “county judge, county commissioner, county attorney, sheriff, county tax assessor-collector, county clerk, district clerk, county treasurer, county auditor, county purchasing agent, and constable.”^{xxix}

Reading the definitions promulgated by the Texas PPA and Chapter 161 of the Local Government Code in combination with Section 2251.021, payments are due within 30 days after the County (defined as a type of political subdivision which is a type of governmental entity) receives an invoice for goods or services. For the current analysis, the County would logically include any County employee or officer. Thus,

^{xxvi} Texas Gov’t Code § 2251.001(3).

^{xxvii} Texas Gov’t Code § 2251.001(6).

^{xxviii} Texas Local Gov’t Code § 161.002(5).

^{xxix} Texas Local Gov’t Code § 161.002(7).

the date payments begin to accrue occurs on the first date a County employee, department, or officer receives an invoice for goods or services.

The above payment requirements may not apply if an invoice is not mailed to the person to whom it is addressed in strict accordance with any instruction on the purchase order relating to the payment.

Issue 2: Payment Completion Date

Section 2251.001(1) of the Texas PPA outlines various “[d]istribution date[s]” for certain payments made by the Texas Comptroller of Public Accounts (the “Comptroller”). The distribution date for payments made through a paper instrument (referred to as a “warrant” in Section 2251.001(1)) is the date the payment is mailed directly to the payee. The distribution date for an electronic funds transfer is the date the Comptroller initiates the transfer. Though the Texas PPA does not specify distribution dates made by political subdivisions, the distribution date definitions and rules under the Texas PPA can likely be applied analogously to political subdivisions. Additionally, under Section 2251.024 of the Texas PPA, “[a] payment is considered to be mailed on the date the payment is postmarked.”

Accordingly, payment to a Vendor is considered complete on the date the payment is mailed to the Vendor (a payment is considered to be mailed on the date the payment is postmarked) or the date an electronic funds transfer to the Vendor is initiated.

Issue 3: Other Applicable State or Federal Laws

State Authorities:

The Texas PPA references other payment laws that may be governed by or impacted by the Texas PPA, including Section 57.482 of the Education Code, Section 231.007 of the Family Code, and Sections 403.055 and 2107.008 of the Government Code. A basic outline of the code sections is provided below:

- Education Code § 57.482 states that a state agency may not use funds to pay a person in default on student loans;
- Family Code § 231.007 provides that a person obligated to pay child support who fails to do so is obligated to the state if the office of the attorney general has reported the person to the comptroller;
- Government Code § 403.055 mandates that the comptroller may not issue a warrant or initiate an electronic fund transfer to a person who has been reported properly and who is indebted to the state or has a tax delinquency;
- Government Code § 2107.008 is read in conjunction with §403.055 (above) and notes that a state agency may not use funds in or outside of the state treasury to pay a person if Section 403.055 prohibits the comptroller from issuing a warrant or initiating an electronic fund transfer to the person.

The Texas Administrative Code contains various sections outlining and applying to billing by utilities/services to a governmental entity, including an electric utility (Section 25.33), a certificated telecommunication utility (Section 26.33), a retail electric provider (Section 25.483), CCTS (Section 207.14), and telecommunication services (Sections 207.31 and 207.11). Each of these code sections indicate that the time for payment by a governmental entity is subject to the timelines outlined in the Texas PPA.

The Texas Insurance Code has its own form of requirements governed by the Texas Prompt Payment of Claims Act under Section 542 of the Texas Insurance Code, which requires insurance companies to pay interest, in addition to the amount of the insurance claim, when an insurance company delays payment of a claim longer than the statute's imposed deadlines for making a claims decision.

Federal Authorities:

The Federal Prompt Payment Act (the "Federal PPA") is found in 31 U.S.C. § 3901, *et al.* Regulations to implement the Federal PPA are found in the Federal Acquisition Regulation ("FAR") Subpart 32.9. The Federal PPA protects vendors, subvendors, and suppliers from late payments on federally-funded projects. The Federal PPA contains specific language regarding what constitutes a proper invoice, defining a proper invoice as "an invoice containing or accompanied by substantiating documentation the Director of the Office of Management and Budget may require by regulation and the head of the appropriate agency may require by regulation or contract."^{xxx}

For purposes of determining a payment due date under the Federal PPA, "the head of the agency is deemed to receive an invoice—(A) on the later of—(i) the date on which the place or person designated by the agency to first receive such invoice actually receives a proper invoice; or (ii) on the 7th day after the date on which, in accordance with the terms and conditions of the contract, the property is actually delivered or performance of the services is actually completed, as the case may be..."^{xxxi} (emphasis added). Further, the FAR states the due date for invoice payments begins on the 30th day "after the designated billing office receives a proper invoice from the Vendor..."^{xxxii}

The Federal PPA provides more detailed language than the Texas PPA regarding what actually constitutes a "proper invoice". But the Federal PPA governs federally-funded contracts; it does not supersede the Texas PPA on state and local contracts.

Issue 4: Incorrect delivery of Invoices

The Texas PPA does contain exceptions to the rules on payment. Importantly, the deadlines for payment contained in Section 2251.021 do not apply if an "invoice is not mailed to the person to whom it is addressed in strict accordance with any

^{xxx} 31 U.S.C. § 3901(a)(3)

^{xxxi} 31 U.S.C. § 3901(a)(4).

^{xxxii} 48 CFR § 52.232-25(a)(1)(i)(A)

instruction on the purchase order relating to the payment.”^{xxxiii}

From a contractual standpoint, most County contracts and purchase orders require invoices from vendors/vendors to be sent to the Harris County Auditor (with an included email and mailing address). Were a vendor to address an invoice to the Harris County Auditor but send the invoice to the department as opposed to the Auditor, then, as noted above, the deadlines for payment would not apply. The County could likely successfully argue that the time for payment did not begin to accrue until the Harris County Auditor received the invoice since the vendor initially sent the invoice in breach of the purchase order.

Issue 5: Interest on overdue payments

The Texas PPA sets forth language which allows for the accrual of interest on overdue payments. Authorities interpreting these subsections have generally held/opined that Sections 2251.025 and 2251.027 of the Texas PPA, which govern interest payments, apply to counties and a vendor can recover interest from a county for overdue payments. While counties have raised claims of sovereign immunity (sovereign immunity refers to a claim that a government cannot be sued without its consent) when sued for payment, courts of law have addressed these claims, often holding that the plain language of statutes indicates that interest is allowed by law.

Gov’t Code § 2251.051(c)(1) states in pertinent part:

- (a) A payment begins to accrue interest on the date the payment becomes overdue.
- (b) The rate of interest that accrues on an overdue payment is the rate in effect on September 1 of the fiscal year in which the payment becomes overdue. The rate in effect on September 1 is equal to the sum of:
 - (1) one percent; and
 - (2) the prime rate as published in the Wall Street Journal on the first day of July of the preceding fiscal year that does not fall on a Saturday or Sunday.
- (c) Interest on an overdue payment stops accruing on the date the governmental entity or vendor mails or electronically transmits the payment. In this subsection, “governmental entity” does not include a state agency.

[Additional subsections (d) and (e) of Section 2251.025 are not cited as they refer to the comptroller].

Section 2251.027, which applies to political subdivisions, states as follows:

- (a) A political subdivision shall compute interest imposed on the political subdivision under this chapter.
- (b) The political subdivision shall pay the interest at the time payment is made on the principal.
- (c) The political subdivision shall submit the interest payment with the net

^{xxxiii} Texas Gov’t Code § 2251.0002(a)(4).

amount due for the goods or service due.

- (d) The political subdivision may not require a vendor or subvendor to agree to waive the vendor's or subvendor's right to interest under this chapter as a condition of the contract between the parties.

Authorities interpreting these sections have held/opined as follows:

Case Law:

- *County of Galveston v. Tribble B Services, LLP*, 498 S.W3d 176 (Tex.App.—Houston [1st Dist.] 2016): This case involved a claim of sovereign immunity under Local Gov't Code Section 262.007 for interest to be paid under the Texas PPA. Section 262.007 states that a county that is a party to a written contract for engineering, architectural, or construction services or for goods related to the same may be sued on a claim arising under the contract. The total money recoverable from a county is limited to the balance due as well as interest “as allowed by law.”^{xxxiv} The 1st District analyzed the Texas PPA, noting that the Texas PPA requires interest on late payments by political subdivisions, including counties. The Court acknowledged that the Texas PPA states that a county “shall pay the interest at the time payment is made on the principal” and “shall submit the interest payment with the net amount due for the goods or service.”^{xxxv} The court held that in interpreting a statute, “[w]e must enforce the statute as written and refrain from rewriting text that lawmakers chose.”^{xxxvi} Based on the plain text of Section 262.007, a county could be sued for late payment and “interest is allowed by law.”^{xxxvii} **“Because the PPA allows a vendor to recover interest from a county for late payment, the interest sought by [the vendor] is “interest allowed by law”—namely, allowed by the PPA—for which immunity is waived.”**^{xxxviii} (emphasis added).
- *Port-Neches Groves Independent School Dist. v. Pyramid Constructors, L.L.P.*, 281 S.W.3d 142 (Tex.App.—Beaumont 2009): The Court held “Chapter 2251 provides for recovery of interest on late payments by governmental entities. The unpaid balance of a partial payment accrues interest unless the balance is in dispute... If a disputed payment is resolved in favor of the vendor, the vendor is entitled to receive interest on the unpaid balance from the date the payment is overdue... In a formal judicial action to collect an invoice payment or interest due under Chapter 2251, the opposing party shall pay the prevailing party’s attorney’s fees... Thus, a vendor may recover on a disputed payment and may recover attorney fees, but until the dispute is resolved the vendor cannot recover pursuant to Chapter 2251. Chapter 2251 does not waive governmental immunity for resolving a disputed payment.”^{xxxix}

^{xxxiv} Local Gov't Code Section 262.007(b)(4).

^{xxxv} *Id.* at 187 (quoting Gov't Code Section 2251.027(b) & (c)).

^{xxxvi} *Id.* (quoting *Jaster v. Comet II Const., Inc.*, 438 S.W.3d 556 (Tex. 2014)).

^{xxxvii} *Id.* at 188 (quoting Local Gov't Code Section 262.007(b)(4)).

^{xxxviii} *Id.*

^{xxxix} *Id.* at 146-47 (internal citations omitted).

- Section 2251.027 contains a “shall” provision for automatic payment. Recently, the Supreme Court has held that a statute’s unambiguous language ‘is the surest guide to the Legislature’s intent’ because ‘the Legislature expresses its intent by the words it enacts and declares to be the law.’^{xl}

AG Opinions:

- Tex. Att’y Gen Op. No. GA-0302 (2005) outlined whether Texas or New Jersey law applied to the payment of late fees on a contract between a Texas county and an out-of-state vendor. In that instance, a Texas County entered into a contract with a vendor in which the contract stated it would be governed by New Jersey law. The AG ultimately opined that the County was not authorized to include in the contract a choice of law provision that overrode or negated the provisions of Chapter 2251. The AG opinion did not opine regarding whether late fees/interest could actually be charged.
- Tex. Att’y Gen Op. No. GA-0429 (2006) provided an opinion on whether a school district was subject to a municipality’s natural gas company regarding payment deadlines and penalty assessments, or whether the school district was subject to the deadlines and late charges as set forth under Chapter 2251. In its analysis, the AG noted that the school district in question fell under the definition of a “governmental entity” as defined in Chapter 2251 and, due to the existence of an implied contract, the deadlines of Chapter 2251 governed payment by the school district to the gas company. The AG did opine that “[l]ate charges are calculated under section 2251.025, Government Code.”^{xli} The school district was not exempt from the requirements of 2251.025.

Issue 6: Disputed payments

Per Section 2251.042, if a governmental entity disputes an invoice, the “governmental entity shall notify a vendor of an error or disputed amount in an invoice submitted for payment by the vendor not later than the 21st day after the date the entity receives the invoice, and shall include in such notice a detailed statement of the amount of the invoice which is disputed.”^{xlii}

Notification of a bona fide dispute for payment must include a list of the specific reasons for nonpayment. If a reason specified is that labor, services, or materials provided by the vendor or the vendor’s subvendor are not provided in compliance with the contract, the vendor is entitled to a reasonable opportunity to cure the noncompliance of the listed items or offer a reasonable amount to compensate the listed items for which noncompliance cannot be promptly cured.^{xliii}

^{xl} *Texas Health Presbyterian Hospital of Denton v. D.A.*, 569 S.W.3d 126, 135 (Tex. 2018) (quoting *Prairie View A & M Univ. V. Chatha*, 381 S.W.3d 500, 507 (Tex. 2012) and *Molinet v. Kimbrell*, 356 S.W.3d 407, 414 (Tex. 2011)).

^{xli} *Id.* at p. 4.

^{xlii} Gov’t Code § 2251.042(a).

^{xliii} Gov’t Code § 2251.051(d)(1) and (2).s

“If a dispute is resolved in favor of the vendor, the vendor is entitled to receive interest on the unpaid balance of the invoice submitted by the vendor beginning on the date under Section 2251.021 that the payment for the invoice is overdue.”^{xliv} “If a dispute is resolved in favor of the governmental entity, the vendor shall submit a corrected invoice that must be paid in accordance with Section 2251.021. The unpaid balance accrues interest as provided by this chapter if the corrected invoice is not paid by the appropriate date.”^{xlv} “The governmental entity may withhold from payments required no more than 110 percent of the disputed amount.”^{xlvi}

It should be noted that if a partial payment is made within the time period outlined by the Texas PPA, then the unpaid balance of a partial payment accrues interest as provided by Section 2251.025 unless the balance is in dispute.^{xlvii}

Issue 7: Potential liability for non-payment

If a governmental entity fails to remit payment pursuant to the terms of the contract and in violation of the Texas PPA, Subchapter D, beginning with Section 2251.051, governs remedies for nonpayment. Specifically, if a governmental entity does not pay the vendor an undisputed amount within the time limits provided by the Texas PPA, the vendor may suspend performance so long as the vendor gives the governmental entity written notice informing the governmental entity that payment has not been received and stating the intent of the vendor to suspend performance for nonpayment.^{xlviii} The vendor may not suspend performance under this section until the 10th day after the date the vendor gives notice or until the 20th day after the vendor gives notice for highway-related contracts entered into with the Texas Department of Transportation.^{xlix}

A vendor who suspends performance is not required to supply further labor, services, or materials until the vendor is paid the amount provided for, plus costs for demobilization and remobilization.ⁱ Further, a vendor who suspends performance is not responsible for damages resulting from suspending work if the governmental entity has not notified the vendor in writing before performance is suspended that payment has been made or that a bona fide dispute for payment exists.ⁱⁱ

Any notice provided under Subchapter D of the Texas PPA must be delivered to the person designated in the contract or, if the contract does not designate a person to whom notice must be sent, then notice must be sent to the executive director or chief administrative officer of the governmental entity.ⁱⁱⁱ

The Texas PPA provides no other language outlining a county’s potential liability for non-payment to a vendor other than a vendor’s right to suspend performance.

^{xliv} Gov’t Code § 2251.042(b).

^{xlv} Gov’t Code § 2251.042(c).

^{xlvi} Gov’t Code § 2251.042(d).

^{xlvii} Gov’t Code § 2251.029(a).

^{xlviii} Gov’t Code § 2251.051(a)(1) and (2).

^{xlix} Gov’t Code § 2251.051(b)(1) and (2); Gov’t Code § 2251.053(a) and 2251.053(b)(1) and (b)(2).

ⁱ Gov’t Code § 2251.051(c)(1).

ⁱⁱ Gov’t Code § 2251.051(c)(2).

ⁱⁱⁱ Gov’t Code § 2251.054(b)(1) and (2).

From a litigation standpoint, case law demonstrates that in addition to a claim under the Texas PPA, a vendor may also sue a governmental entity, including a county, for breach of contract.^{liii} Historically, the sued governmental entity typically files a plea to the jurisdiction alleging sovereign/governmental immunity from suit. As noted by the Court in *County of Galveston v. Triple B Services, LLP*, however, interest under the PPA is allowed by law and the fact that the PPA contains no explicit waiver-of-immunity language does not automatically make a county immune from paying interest under the Texas PPA.^{liv} Importantly, a decision regarding governmental immunity from suit is a decision left to the courts.

Overall, if Harris County fails to timely pay on a contract as required by the Texas PPA, the county is liable for payment and interest as calculated by Section 2251.025(b). Until payment is received, a vendor may suspend performance of the contract. The vendor is also entitled additional rights or remedies as provided by law, including suing the County for breach of contract.

^{liii} See *Pelco Constr. Co. v. Chambers County*, 495 S.W.3d 514 (Tex.App.—Houston [1st Dist.] 2016, pet. denied).

^{liv} *Galveston*, 498 S.W.3d at 186-89.

APPENDIX C

Number and Percentage of Vendor Payments Completed by Harris County by Fiscal Year and Number of Days to Complete Payment March 1, 2016 – July 31, 2021			
Fiscal Year	Date Range	Number of Payments	Percentage of Payments
FY 2017	0-30 Days	215,309	93.5%
	31-60 Days	11,757	5.1%
	61-90 Days	2,045	0.9%
	>90 Days	1,138	0.5%
	Total	230,249	100%
FY 2018	0-30 Days	205,674	91.6%
	31-60 Days	13,962	6.2%
	61-90 Days	2,779	1.2%
	>90 Days	2,037	0.9%
	Total	224,452	100%
FY 2019	0-30 Days	207,293	90.6%
	31-60 Days	16,182	7.1%
	61-90 Days	3,016	1.3%
	>90 Days	2,318	1.0%
	Total	228,809	100%
FY 2020	0-30 Days	212,882	89.8%
	31-60 Days	17,802	7.5%
	61-90 Days	4,435	1.9%
	>90 Days	1,853	0.8%
	Total	236,972	100%
FY 2021	0-30 Days	189,627	88.4%
	31-60 Days	15,298	7.1%
	61-90 Days	5,674	2.6%
	>90 Days	3,873	1.8%
	Total	214,472	100%
FY 2022 (Partial)	0-30 Days	79,094	88.1%
	31-60 Days	7,275	8.1%
	61-90 Days	2,171	2.4%
	>90 Days	1,194	1.3%
	Total	89,734	100%

Data Source: Harris County Auditor's Office
Analysis: Harris County Auditor's Office

APPENDIX D

Payments Completed by Fiscal Year and Date Range by Dollar Amount March 1, 2016 – July 31, 2021			
Fiscal Year	Date Range	Dollar Amount of Payments	Percentage of Total Dollar Amount
FY 2017	0-30 Days	\$2,901,331,383.41	94.7%
	31-60 Days	\$107,548,981.97	3.5%
	61-90 Days	\$44,623,862.40	1.5%
	>90 Days	\$9,592,641.53	0.3%
	Total	\$3,063,096,869.31	100%
FY 2018	0-30 Days	\$2,811,202,038.50	95.3%
	31-60 Days	\$108,178,988.67	3.7%
	61-90 Days	\$24,062,830.82	0.8%
	>90 Days	\$7,807,050.23	0.3%
	Total	\$2,951,250,908.22	100%
FY 2019	0-30 Days	\$3,644,786,600.88	94.0%
	31-60 Days	\$165,541,552.14	4.3%
	61-90 Days	\$52,730,81.29	1.4%
	>90 Days	\$13,928,052.34	0.4%
	Total	\$3,876,987,016.65	100%
FY 2020	0-30 Days	\$3,770,404,972.66	93.8%
	31-60 Days	\$197,360,755.97	4.9%
	61-90 Days	\$31,878,200.84	0.8%
	>90 Days	\$18,222,205.97	0.5%
	Total	\$4,017,866,135.44	100%
FY 2021	0-30 Days	\$2,581,419,151.38	93.9%
	31-60 Days	\$107,123,335.89	3.9%
	61-90 Days	\$38,788,047.58	1.4%
	>90 Days	\$21,424,619.42	0.8%
	Total	\$2,748,755,154.27	100%
FY 2022 (Partial)	0-30 Days	\$1,161,243,872.08	94.7%
	31-60 Days	\$41,411,374.38	3.4%
	61-90 Days	\$17,861,507.05	1.5%
	>90 Days	\$5,628,927.88	0.5%
	Total	\$1,226,145,681.39	100%

Data Source: Harris County Auditor's Office
Analysis: Harris County Auditor's Office

APPENDIX E

Number and Percentage of Vendor Payments Completed by Harris County by Fiscal Quarter and Number of Days to Complete Payment FY2017			
Fiscal Year 2017	Date Range	Number of Payments	Percentage of Payments
1 st Quarter	0-30 Days	50,496	94.1%
	31-60 Days	2,578	4.8%
	61-90 Days	403	0.8%
	>90 Days	208	0.4%
	Total	53,685	100%
2 nd Quarter	0-30 Days	56,506	93.8%
	31-60 Days	2,991	5.0%
	61-90 Days	505	0.8%
	>90 Days	257	0.4%
	Total	60,259	100%
3 rd Quarter	0-30 Days	55,490	93.8%
	31-60 Days	2,703	4.6%
	61-90 Days	579	1.0%
	>90 Days	376	0.6%
	Total	59,148	100%
4 th Quarter	0-30 Days	52,817	92.4%
	31-60 Days	3,485	6.1%
	61-90 Days	558	1.0%
	>90 Days	297	0.5%
	Total	57,157	100%

Data Source: Harris County Auditor's Office
 Analysis: Harris County Auditor's Office

Number and Percentage of Vendor Payments Completed by Harris County by Fiscal Quarter and Number of Days to Complete Payment FY2018

Fiscal Year 2018	Date Range	Number of Payments	Percentage of Payments
1 st Quarter	0-30 Days	52,711	92.6%
	31-60 Days	3,016	5.3%
	61-90 Days	661	1.2%
	>90 Days	552	1.0%
	Total	56,940	100%
2 nd Quarter	0-30 Days	49,736	90.9%
	31-60 Days	3,949	7.2%
	61-90 Days	606	1.1%
	>90 Days	440	0.8%
	Total	54,731	100%
3 rd Quarter	0-30 Days	52,853	90.5%
	31-60 Days	4,063	7.0%
	61-90 Days	946	1.6%
	>90 Days	512	0.9%
	Total	58,374	100%
4 th Quarter	0-30 Days	50,374	92.6%
	31-60 Days	2,934	5.4%
	61-90 Days	566	1.0%
	>90 Days	533	1.0%
	Total	54,407	100%

Data Source: Harris County Auditor's Office
 Analysis: Harris County Auditor's Office

Number and Percentage of Vendor Payments Completed by Harris County by Fiscal Quarter and Number of Days to Complete Payment FY2019

Fiscal Year 2019	Date Range	Number of Payments	Percentage of Payments
1 st Quarter	0-30 Days	50,819	90.4%
	31-60 Days	3,966	7.1%
	61-90 Days	864	1.5%
	>90 Days	570	1.0%
	Total	56,219	100%
2 nd Quarter	0-30 Days	54,862	90.8%
	31-60 Days	4,289	7.1%
	61-90 Days	672	1.1%
	>90 Days	586	1.0%
	Total	60,409	100%
3 rd Quarter	0-30 Days	49,792	88.9%
	31-60 Days	4,687	8.4%
	61-90 Days	865	1.5%
	>90 Days	696	1.2%
	Total	56,040	100%
4 th Quarter	0-30 Days	51,820	92.3%
	31-60 Days	3,240	5.8%
	61-90 Days	615	1.1%
	>90 Days	466	0.8%
	Total	56,141	100%

Data Source: Harris County Auditor's Office
 Analysis: Harris County Auditor's Office

Number and Percentage of Vendor Payments Completed by Harris County by Fiscal Quarter and Number of Days to Complete Payment FY2020

Fiscal Year 2020	Date Range	Number of Payments	Percentage of Payments
1 st Quarter	0-30 Days	48,917	87.4%
	31-60 Days	5,100	9.1%
	61-90 Days	1,258	2.2%
	>90 Days	713	1.3%
	Total	55,988	100%
2 nd Quarter	0-30 Days	55,132	89.8%
	31-60 Days	4,481	7.3%
	61-90 Days	1,164	1.9%
	>90 Days	645	1.1%
	Total	61,422	100%
3 rd Quarter	0-30 Days	52,874	88.6%
	31-60 Days	4,670	7.8%
	61-90 Days	1,648	2.8%
	>90 Days	495	0.8%
	Total	59,687	100%
4 th Quarter	0-30 Days	55,959	93.5%
	31-60 Days	3,551	5.9%
	61-90 Days	365	0.6%
	>90 Days	-	0.0%
	Total	59,875	100%

Data Source: Harris County Auditor's Office
 Analysis: Harris County Auditor's Office

Number and Percentage of Vendor Payments Completed by Harris County by Fiscal Quarter and Number of Days to Complete Payment FY2021

Fiscal Year 2021	Date Range	Number of Payments	Percentage of Payments
1 st Quarter	0-30 Days	38,204	81.4%
	31-60 Days	5,656	12.1%
	61-90 Days	1,748	3.7%
	>90 Days	1,302	2.8%
	Total	46,910	100%
2 nd Quarter	0-30 Days	53,198	90.5%
	31-60 Days	3,217	5.5%
	61-90 Days	1,467	2.5%
	>90 Days	882	1.5%
	Total	58,764	100%
3 rd Quarter	0-30 Days	51,017	91.1%
	31-60 Days	2,860	5.1%
	61-90 Days	1,268	2.3%
	>90 Days	871	1.6%
	Total	56,016	100%
4 th Quarter	0-30 Days	47,208	89.4%
	31-60 Days	3,565	6.8%
	61-90 Days	1,191	2.3%
	>90 Days	818	1.5%
	Total	52,782	100%

Data Source: Harris County Auditor's Office
 Analysis: Harris County Auditor's Office

Number and Percentage of Vendor Payments Completed by Harris County by Fiscal Quarter and Number of Days to Complete Payment FY2022			
Fiscal Year 2022	Date Range	Number of Payments	Percentage of Payments
1 st Quarter	0-30 Days	45,712	84.3%
	31-60 Days	5,472	10.1%
	61-90 Days	1,894	3.5%
	>90 Days	1,159	2.1%
	Total	54,237	100%
2 nd Quarter (Partial)	0-30 Days	33,382	94.0%
	31-60 Days	1,803	5.1%
	61-90 Days	277	0.8%
	>90 Days	35	0.1%
	Total	35,497	100%

Data Source: Harris County Auditor's Office
 Analysis: Harris County Auditor's Office

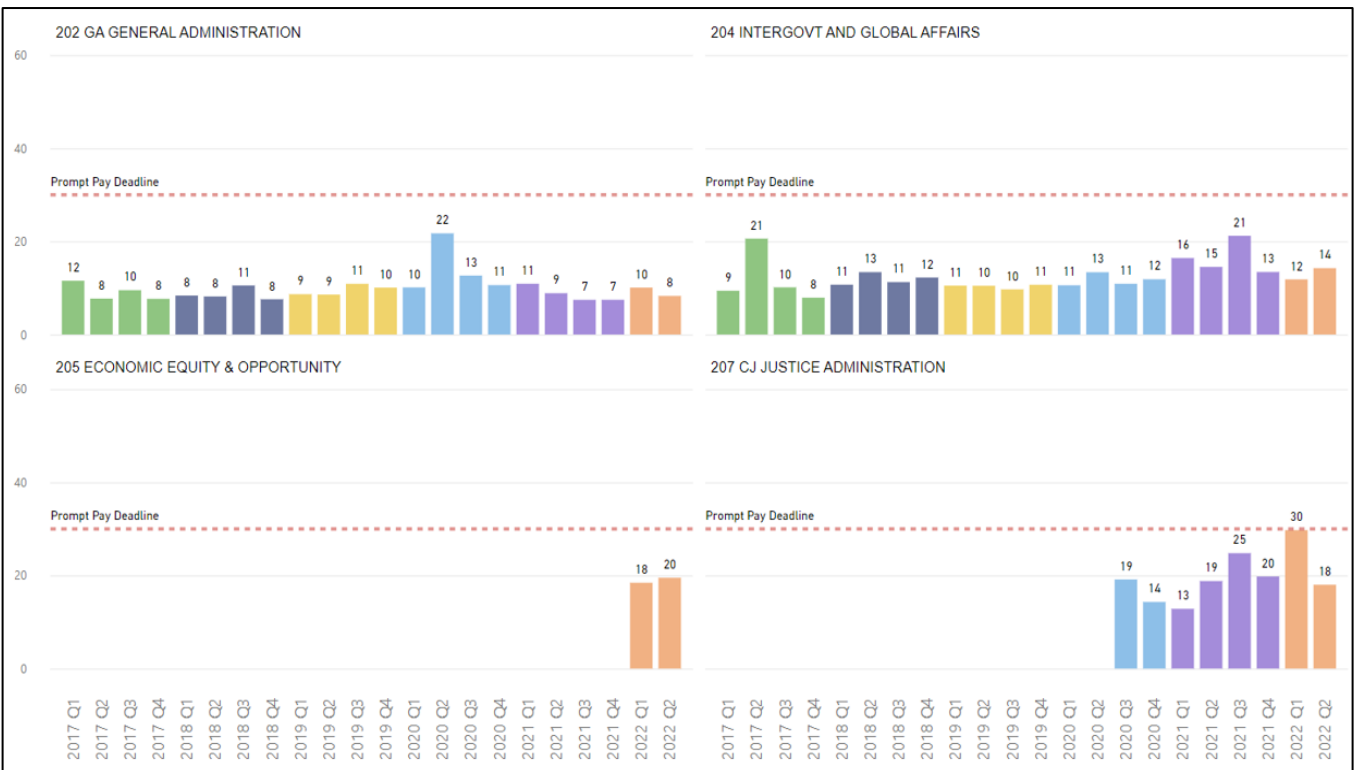
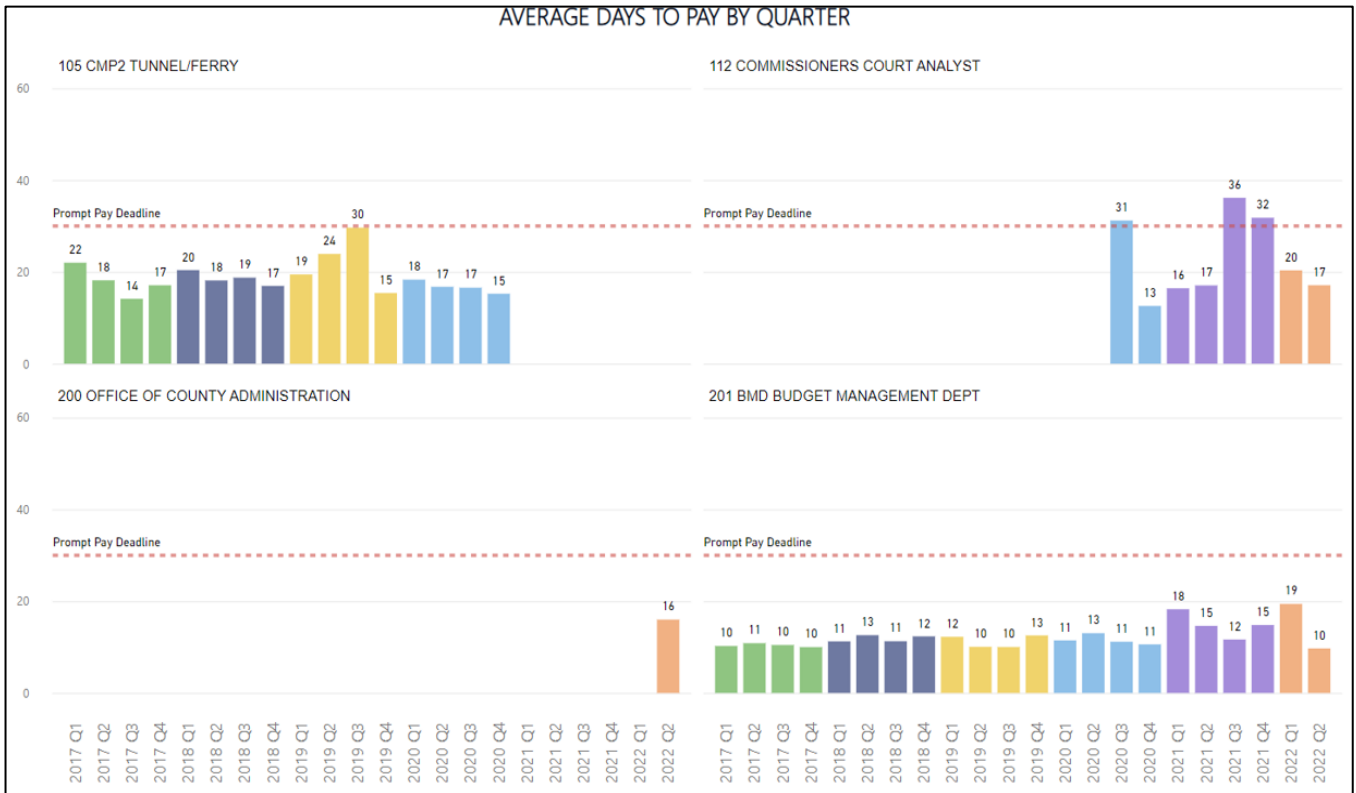
APPENDIX F

AVERAGE DAYS TO PAY BY QUARTER



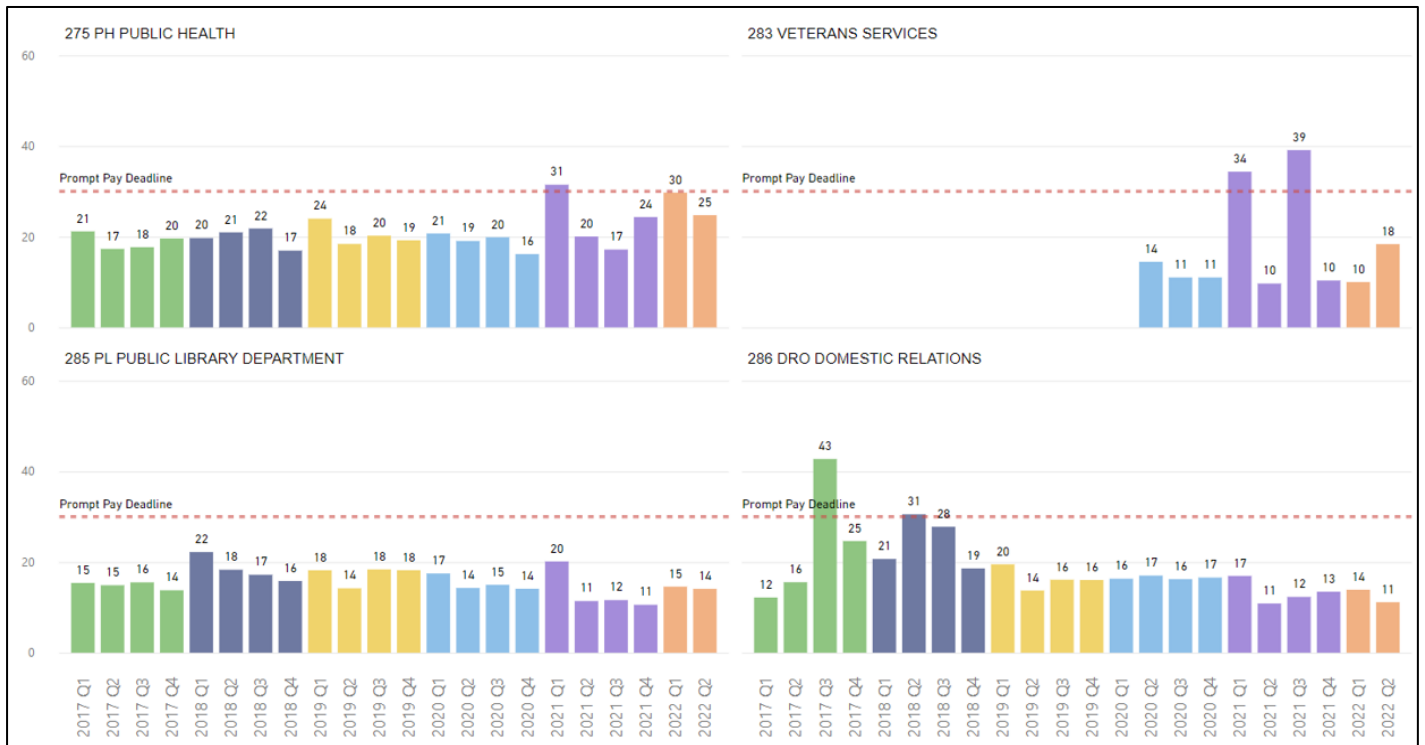
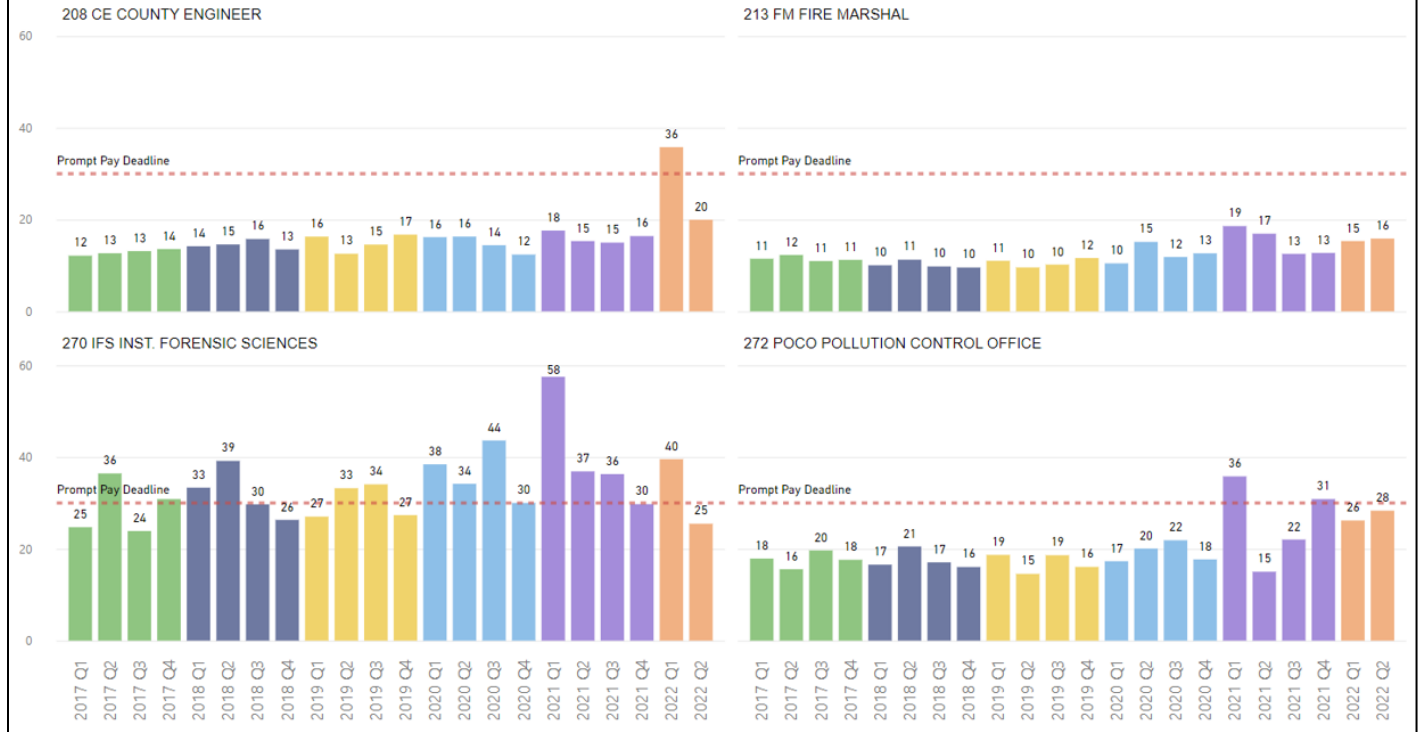
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AVERAGE DAYS TO PAY BY QUARTER



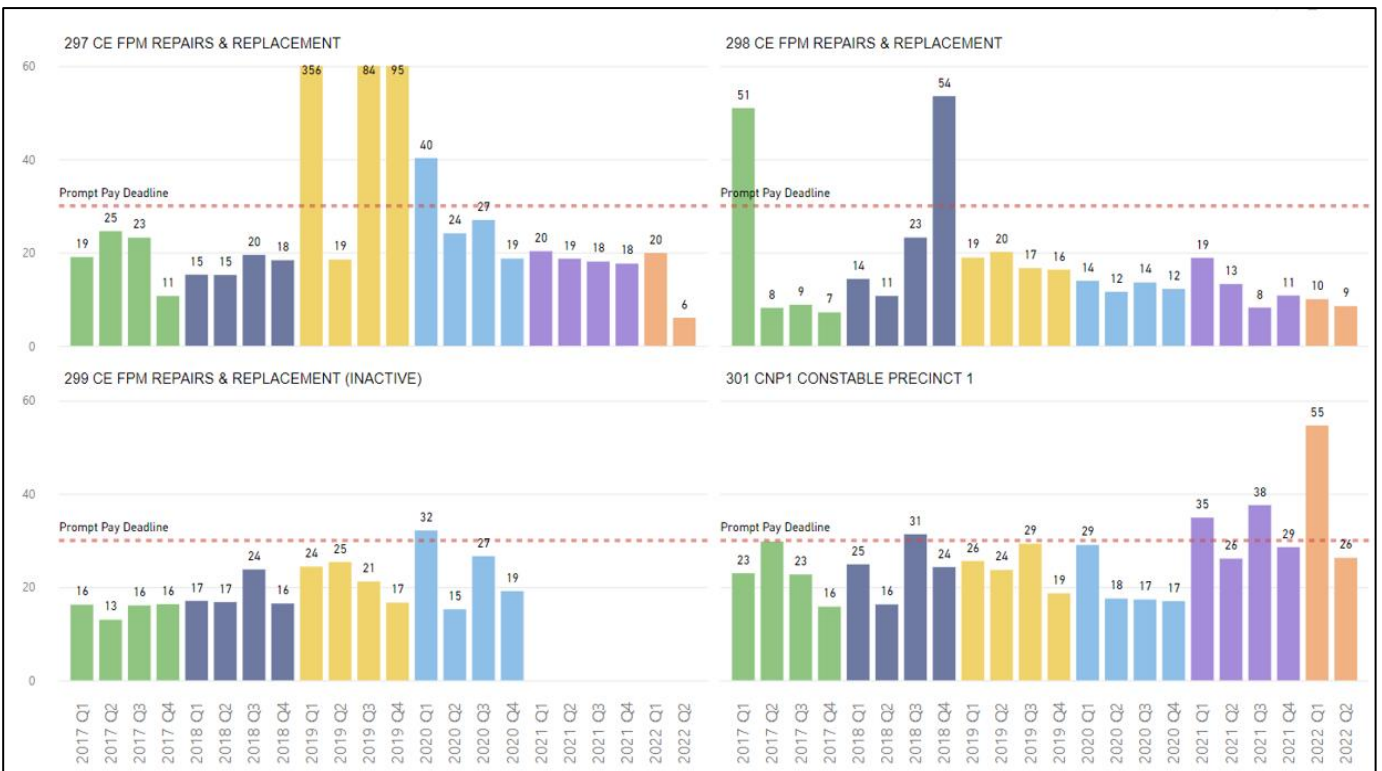
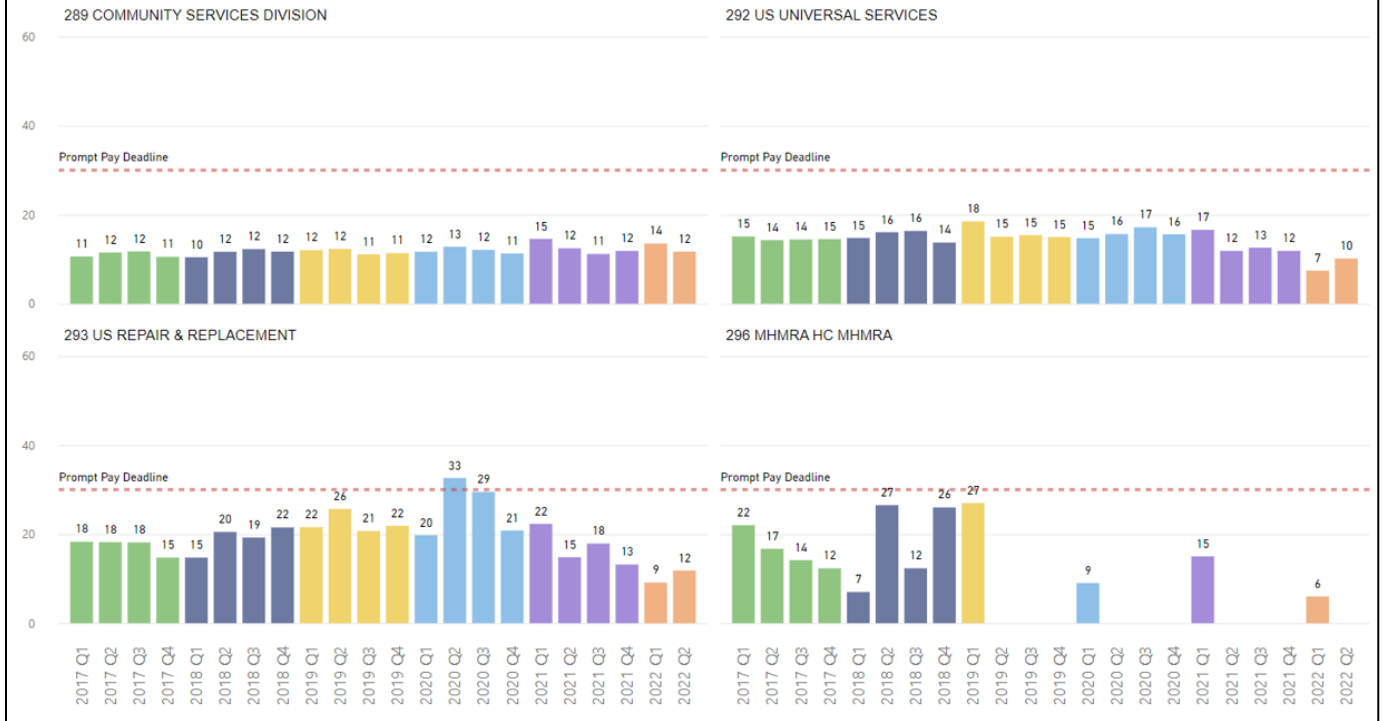
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AVERAGE DAYS TO PAY BY QUARTER



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AVERAGE DAYS TO PAY BY QUARTER



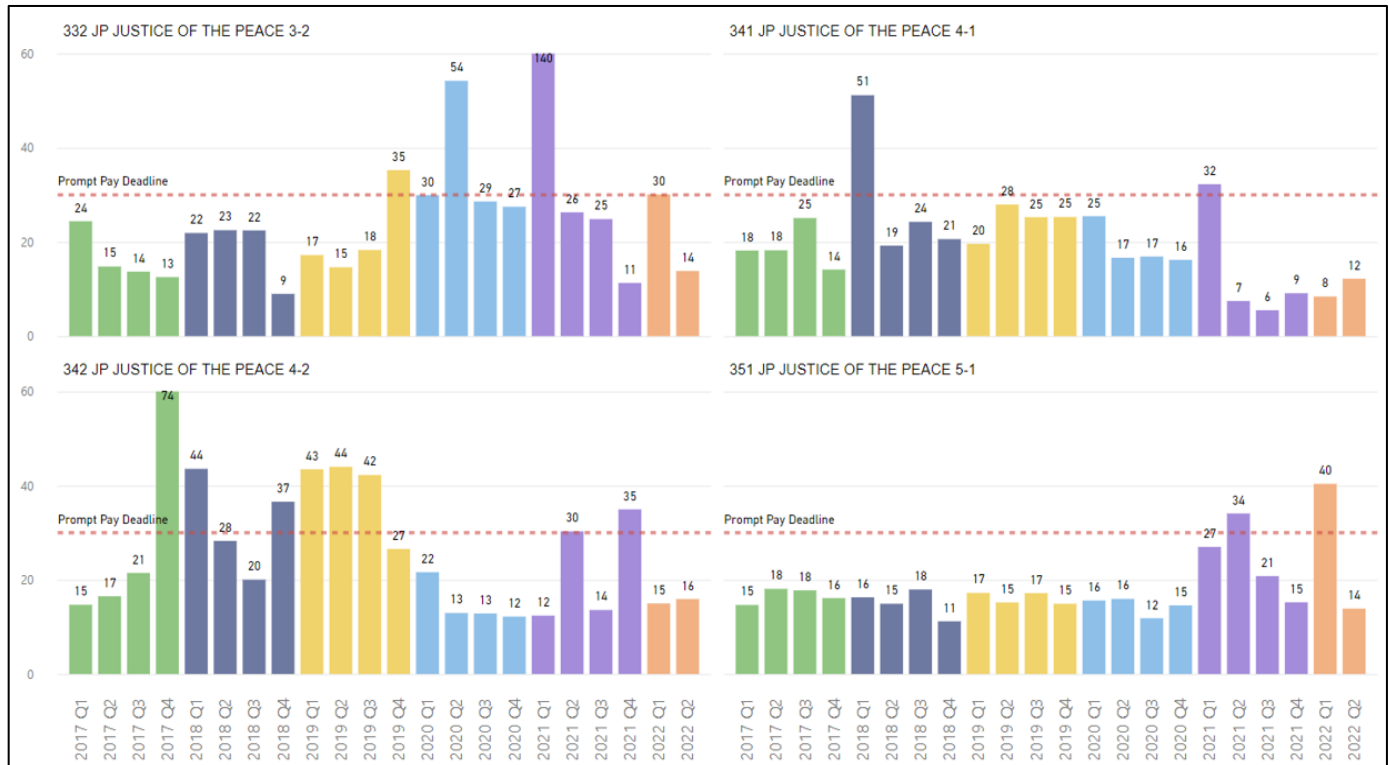
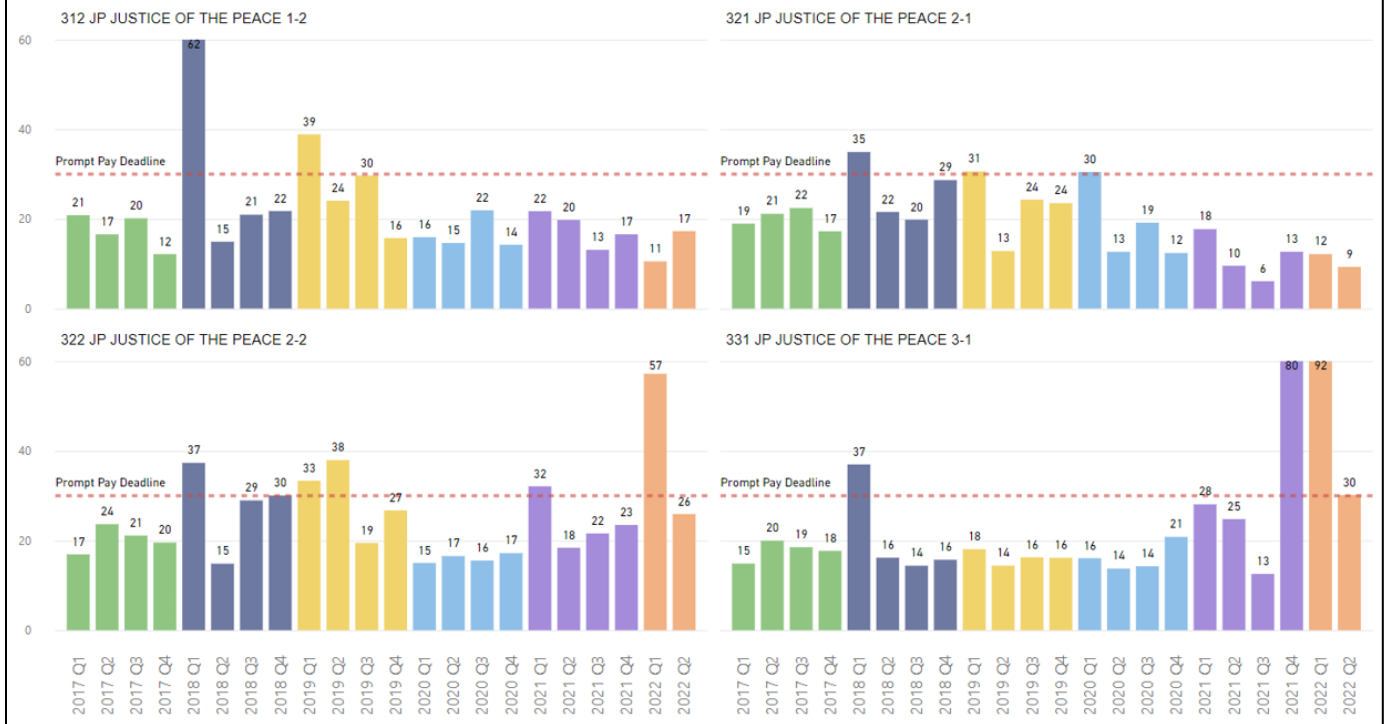
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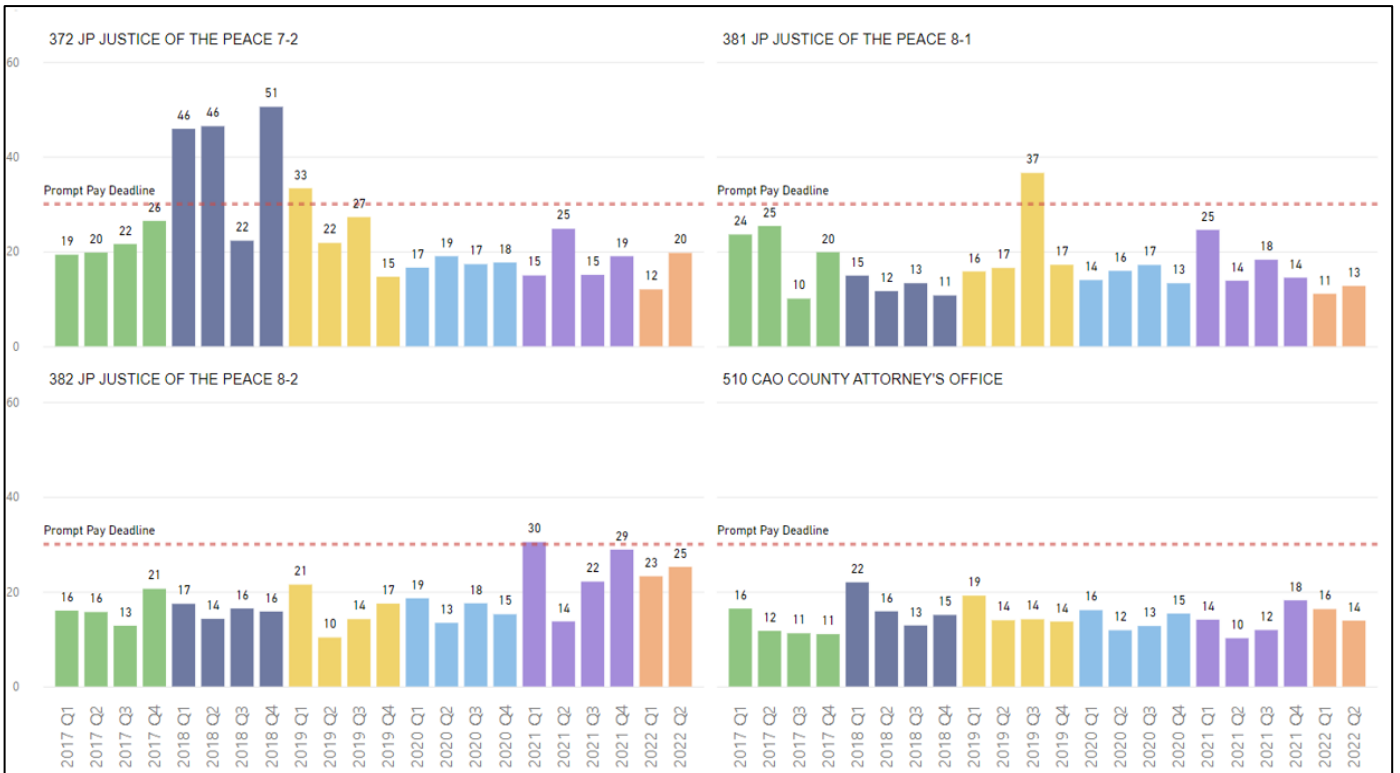
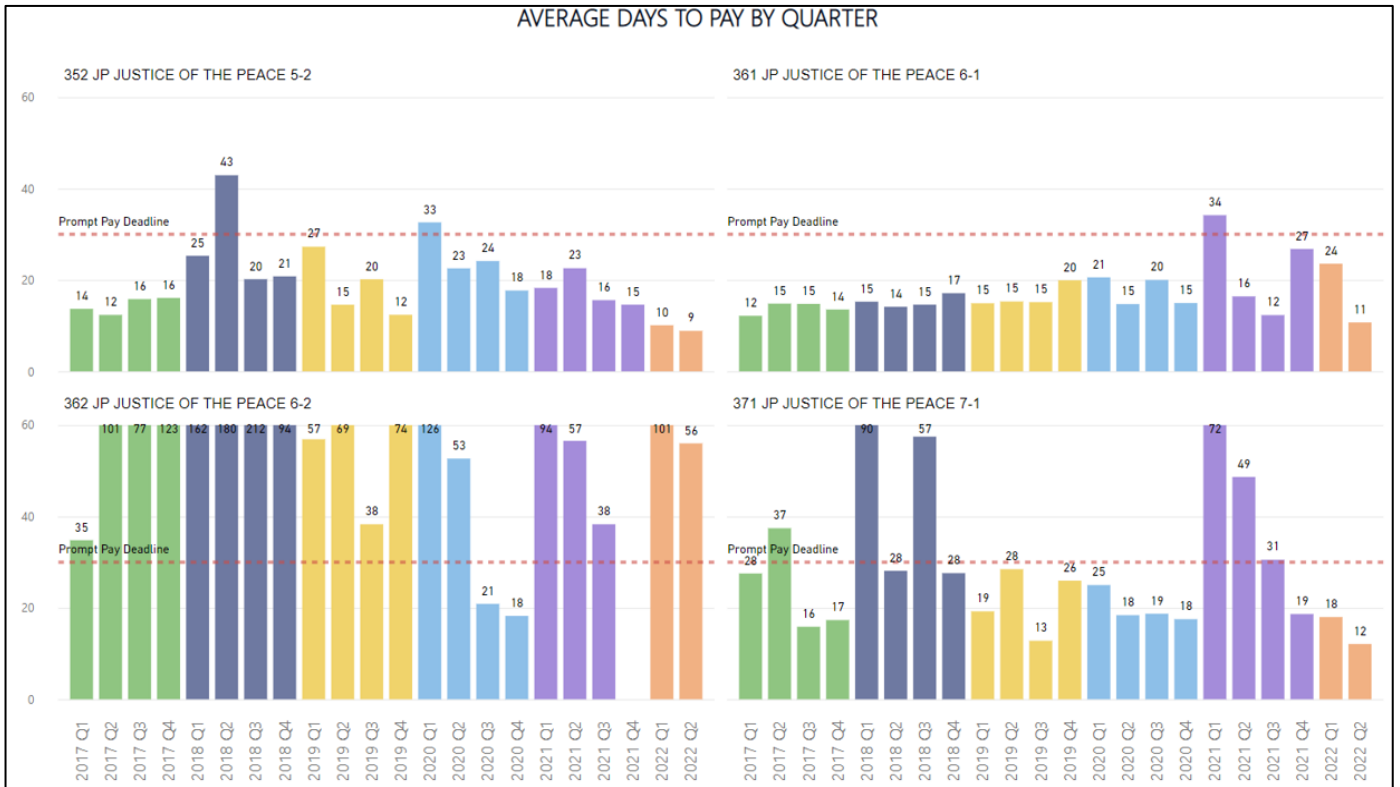
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AVERAGE DAYS TO PAY BY QUARTER



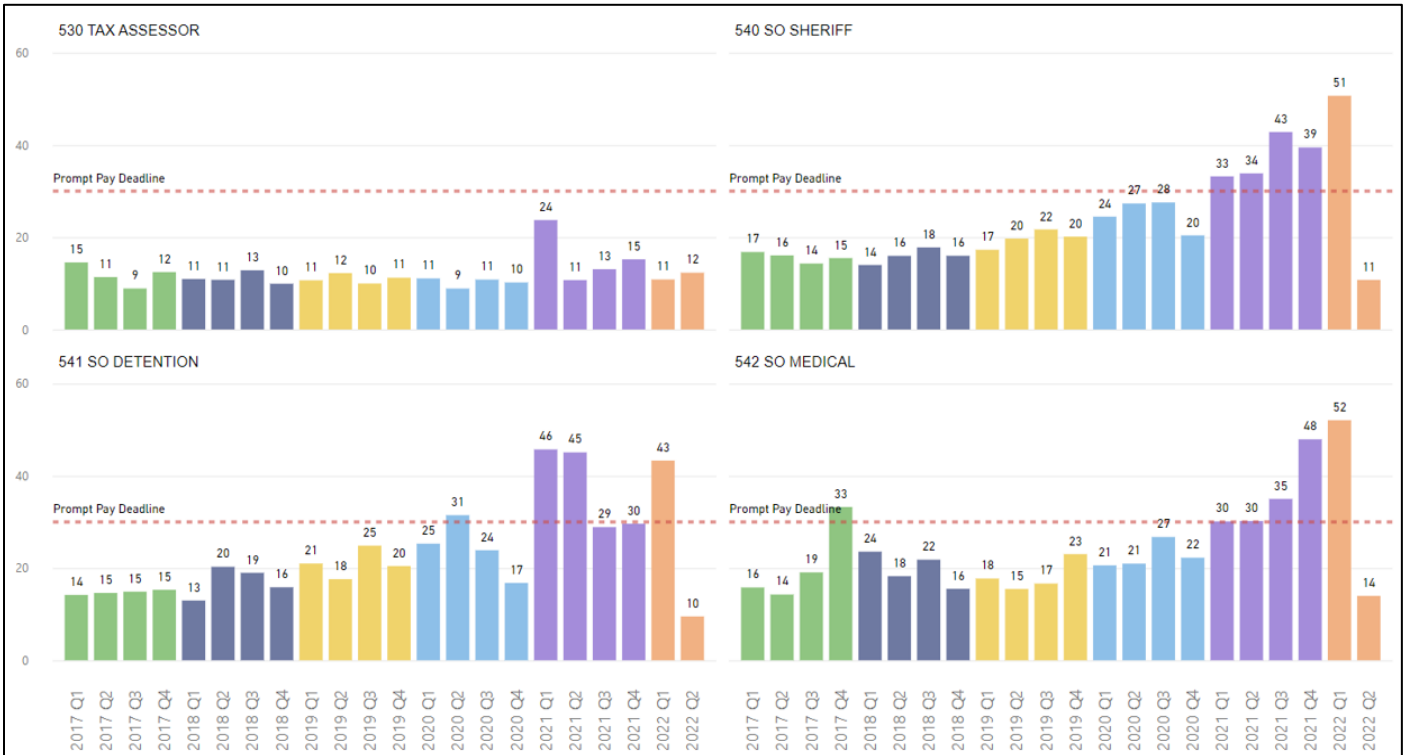
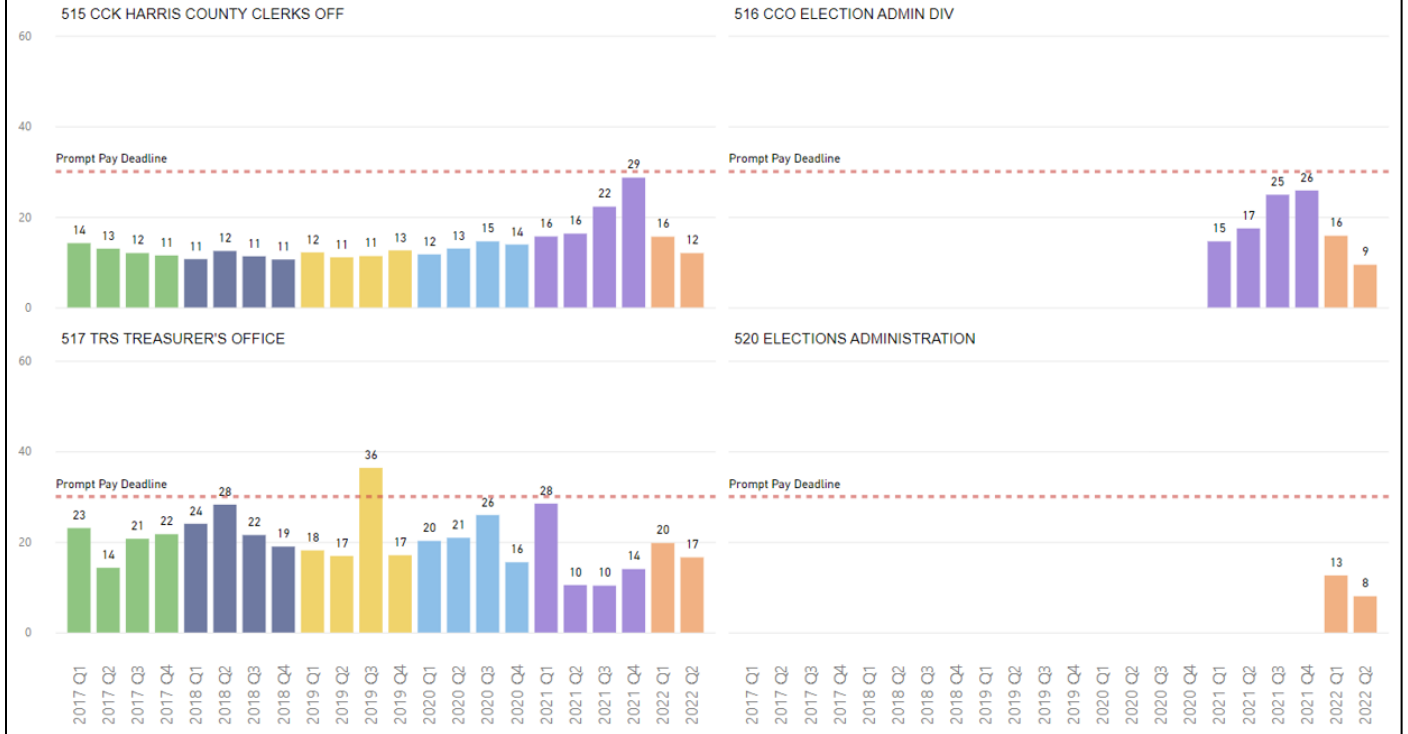
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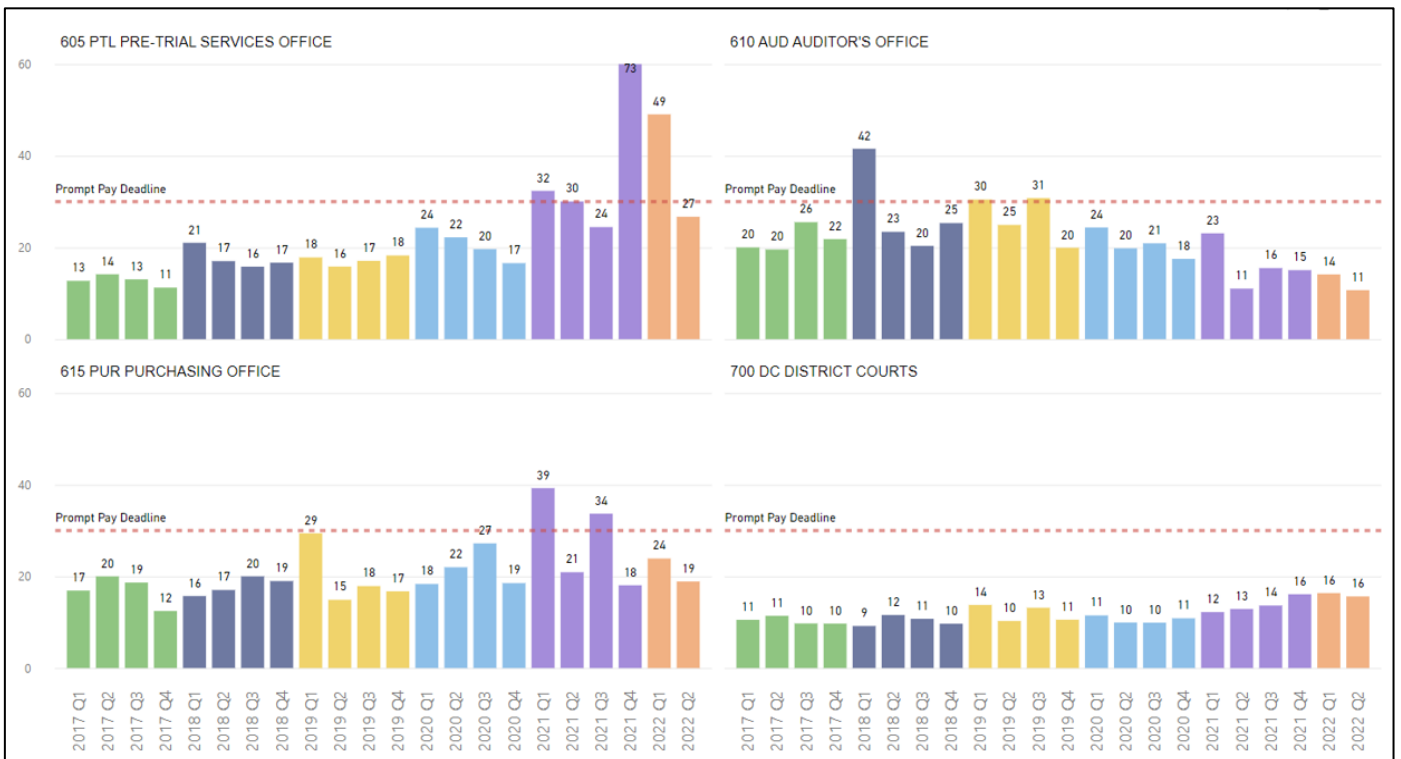
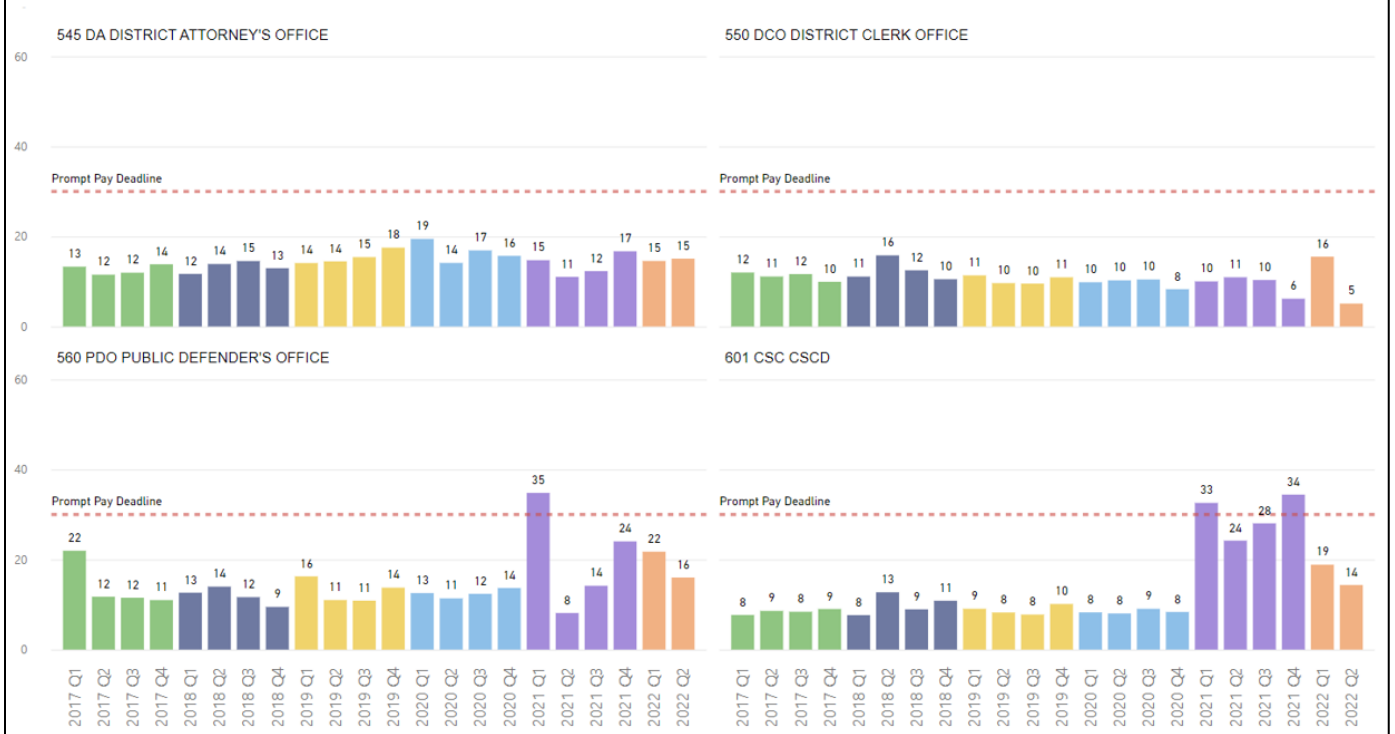
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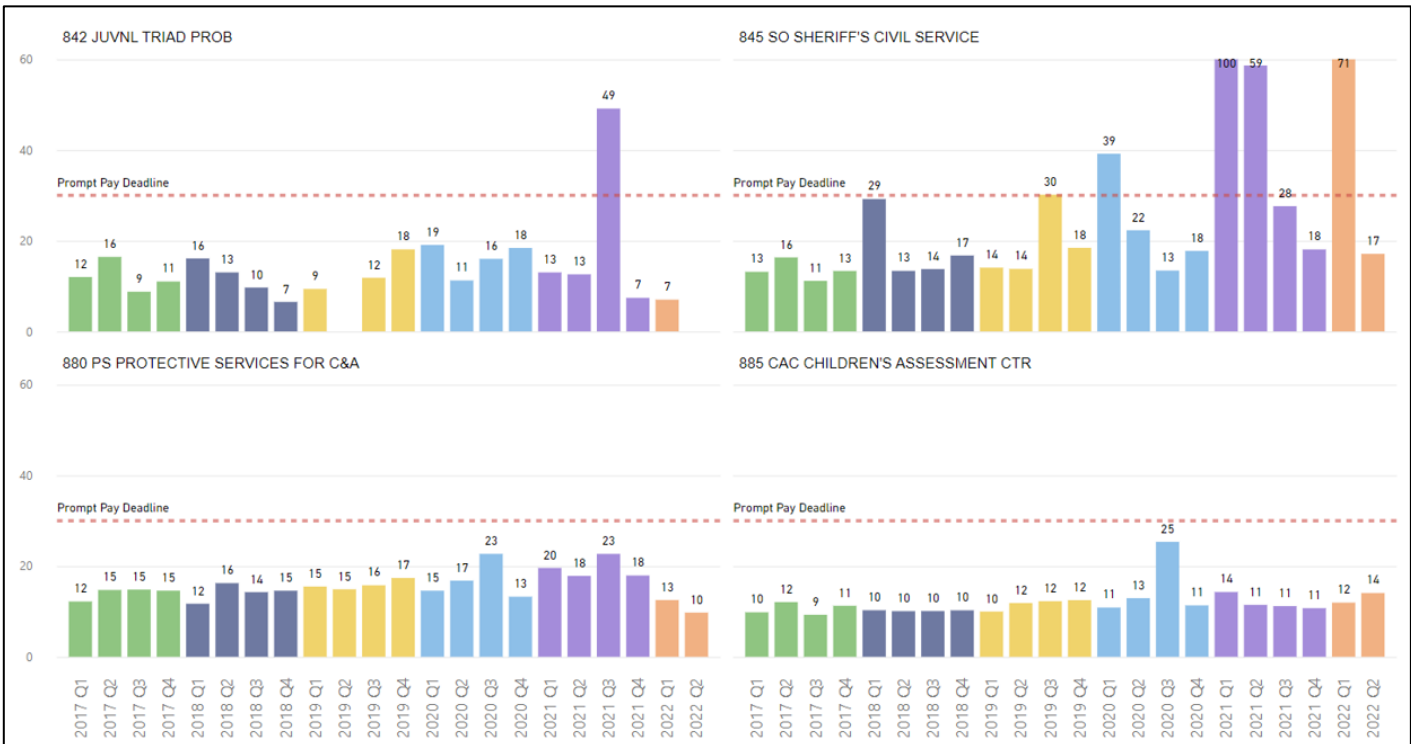
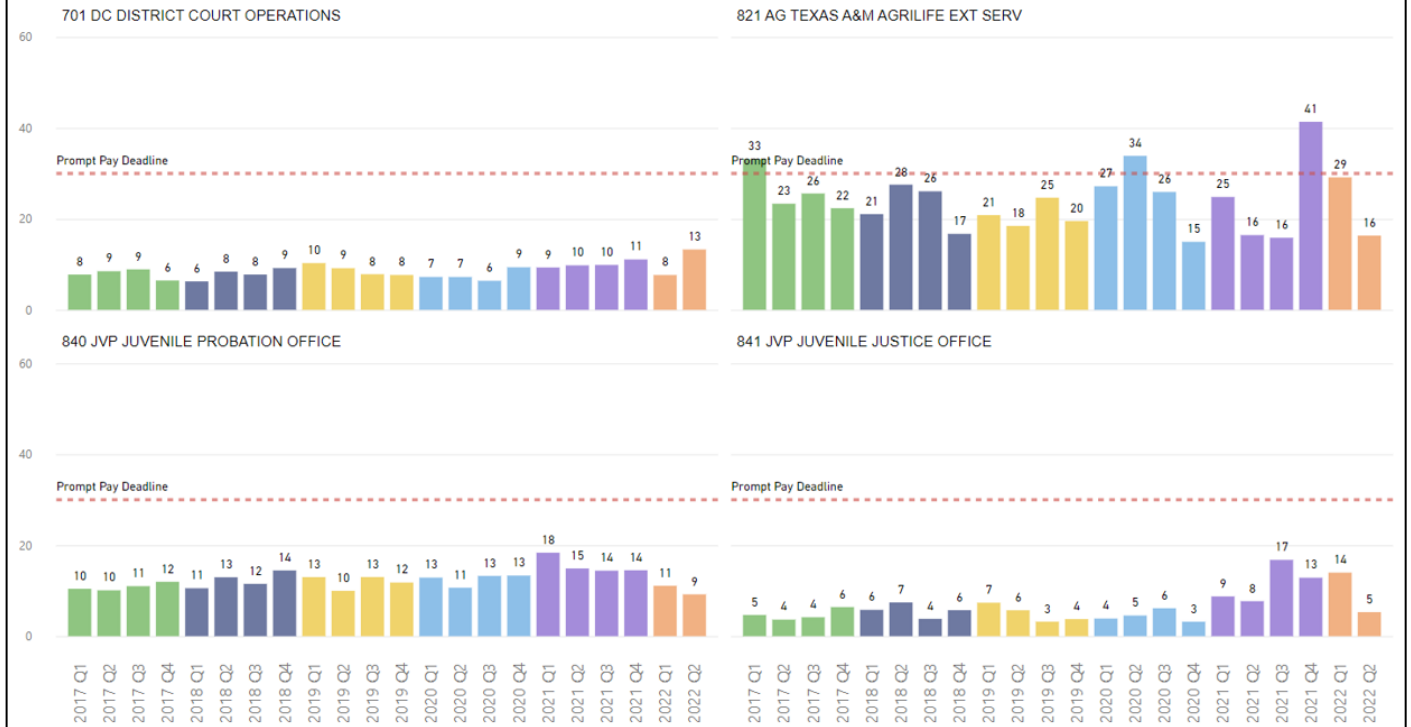
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AVERAGE DAYS TO PAY BY QUARTER



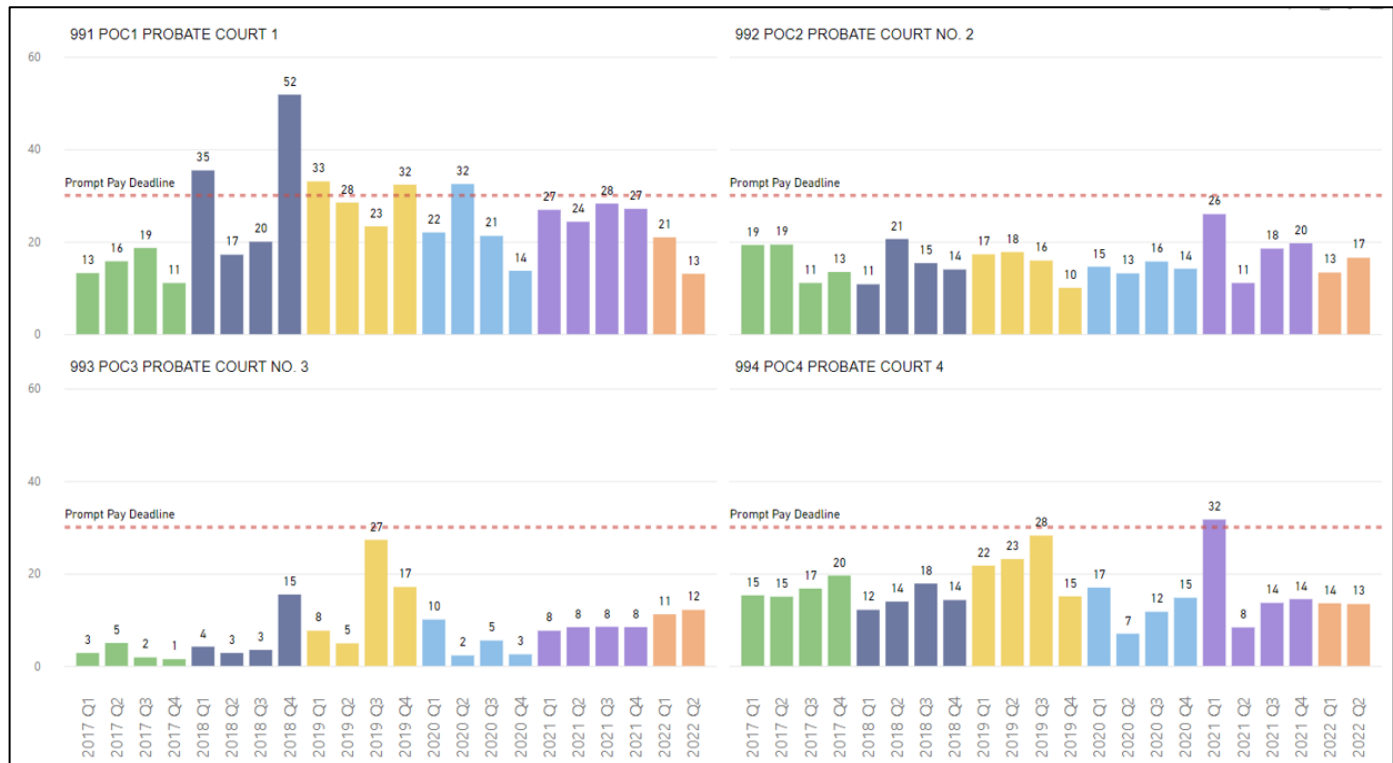
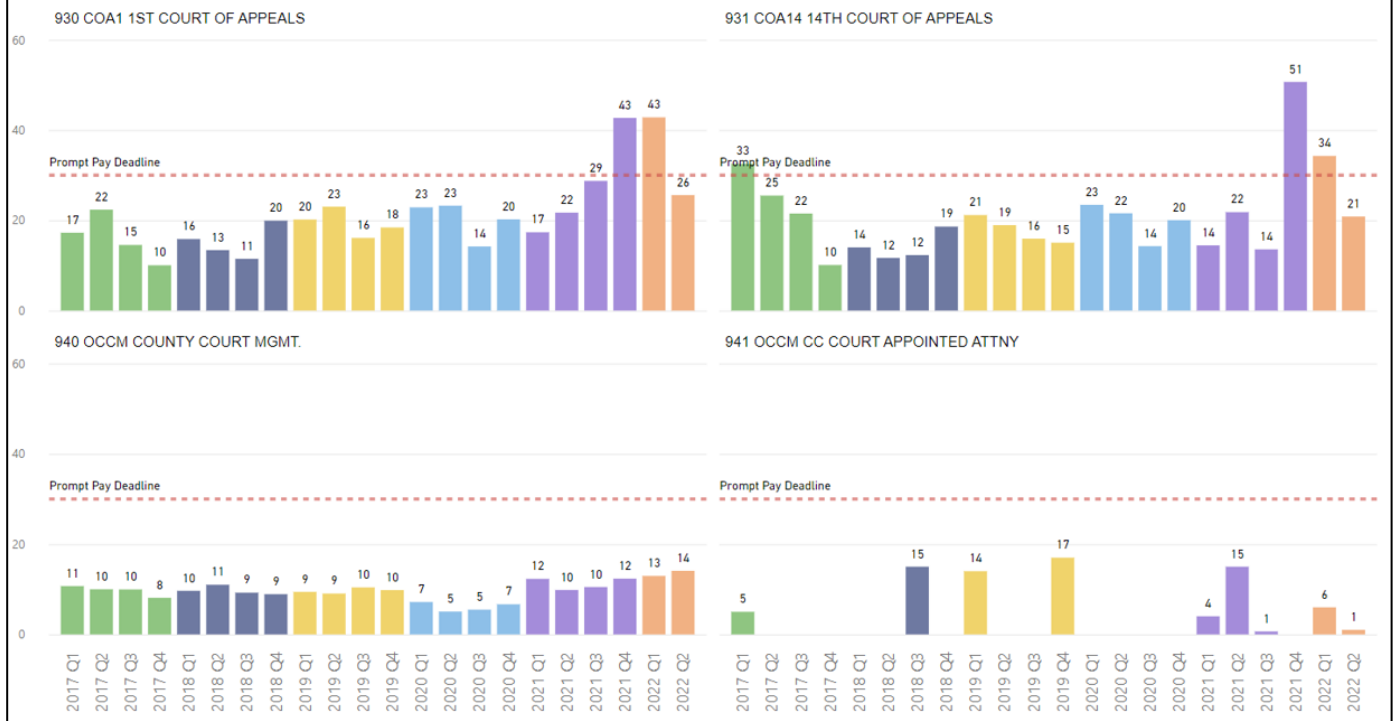
Data Source: Harris County Auditor's Office
 Analysis: Harris County Auditor's Office
 Note: Q2 FY2022 only contains data for June - July 2021.

AVERAGE DAYS TO PAY BY QUARTER

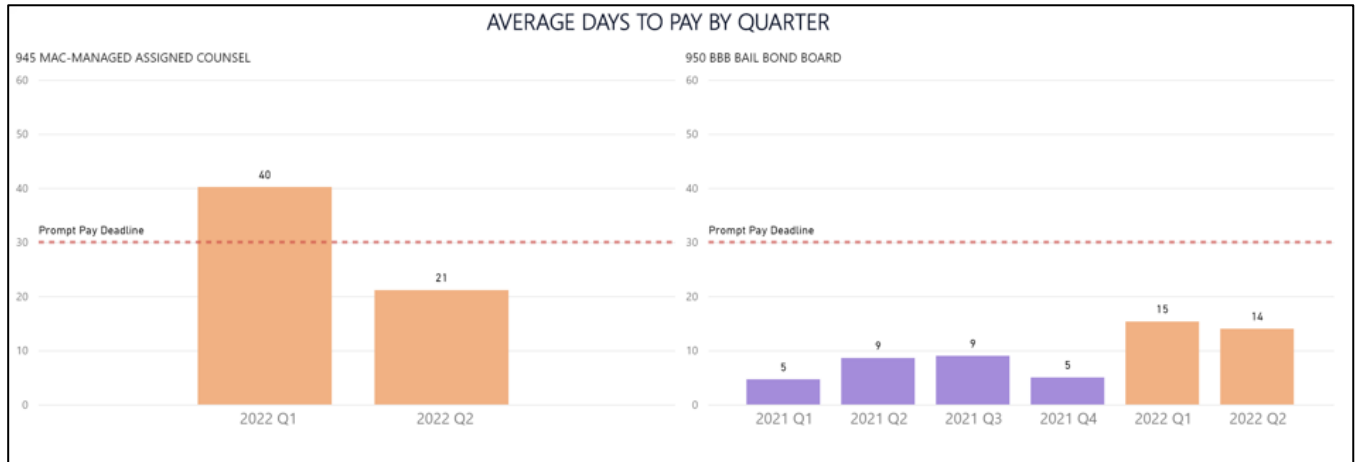


Data Source: Harris County Auditor's Office
 Analysis: Harris County Auditor's Office
 Note: Q2 FY2022 only contains data for June - July 2021.

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Data Source: Harris County Auditor's Office

Analysis: Harris County Auditor's Office

Note: Q2 FY2022 only contains data for June – July 2021.

The Harris County Commissioners Court's Analyst's Office provides the Harris County Commissioners Court members with objective, nonpartisan, and timely fiscal and policy analysis related to the efficiency and effectiveness of various County operations.

This memo was prepared by Ramin Naderi, Analyst and Amber Weed, Policy Director and Chief of Staff.

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ENDNOTES

- ¹ Harris County Auditor's Office. Document Edits Provided November 11, 2021.
- ² Office Newsletter (February 2018). Harris County Auditor's Office. Retrieved September 4, 2021 from <https://auditor.harriscountytexas.gov/Newsletters/Newsletter%20Feb%202018.pdf>
- ³ AIR Department Go Live Dates Document. Harris County Auditor's Office. Provided November 10, 2021.
- ⁴ AP Invoice Requirements. (n.d.). Retrieved November 16, 2021, from <https://auditor.harriscountytexas.gov/Pages/APInvoiceRequirements.aspx>
- ⁵ Arlen Alanis: Senior Auditor. Harris County Auditor's Office. Teams Meeting September 22, 2021.
- ⁶ Harris County Office of the Purchasing Agent. (n.d.). Retrieved October 15, 2021, from <https://purchasing.harriscountytexas.gov/Pages/default.aspx>
- ⁷ LOCAL GOVERNMENT CODE CHAPTER 113. § 113.064. MANAGEMENT OF COUNTY MONEY. (n.d.). Retrieved October 15, 2021, from <https://statutes.capitol.texas.gov/SOTWDocs/LG/htm/LG.113.htm>
- ⁸ LOCAL GOVERNMENT CODE CHAPTER 113. MANAGEMENT OF COUNTY MONEY. (n.d.). Retrieved October 15, 2021, from <https://statutes.capitol.texas.gov/SOTWDocs/LG/htm/LG.113.htm>
- ⁹ LOCAL GOVERNMENT CODE CHAPTER 113. § 113.041. MANAGEMENT OF COUNTY MONEY. (n.d.). Retrieved October 15, 2021, from <https://statutes.capitol.texas.gov/SOTWDocs/LG/htm/LG.113.htm>
- ¹⁰ Porter Broyles: Audit Supervisor, Continuous Audits. Harris County Auditor's Office. Teams Meeting September 21, 2021.
- ¹¹ GOVERNMENT CODE CHAPTER 2251. PAYMENT FOR GOODS AND SERVICES. (n.d.). Retrieved October 16, 2021, from <https://statutes.capitol.texas.gov/docs/gv/htm/gv.2251.htm>
- ¹² United States Government Accountability Office (GAO). *Government Auditing Standards*, Sec. 8.38C. (July 2018). Retrieved November 19, 2021 from <https://www.gao.gov/assets/files/gao.gov/assets/gao-18-568g.pdf>
- ¹³ United States Government Accountability Office (GAO). *Government Auditing Standards*, Sec. 8.58A, 8.58E. (July 2018). Retrieved November 19, 2021 from <https://www.gao.gov/assets/files/gao.gov/assets/gao-18-568g.pdf>
- ¹⁴ AIR Department Go Live Dates Document. Harris County Auditor's Office. Provided November 10, 2021.
- ¹⁵ B2Gnow—Powering High Performance Diversity Platforms—Supplier Diversity. (n.d.). B2Gnow. Retrieved October 26, 2021, from <https://b2gnow.com/>
- ¹⁶ B2Gnow—Powering High Performance Diversity Platforms—Supplier Diversity. (n.d.). B2Gnow. Retrieved October 26, 2021, from <https://b2gnow.com/>
- ¹⁷ Berry Dunn McNeil & Parker (BerryDun). *Procure-to-Pay Workflow Process Assessment Project, City of Fort Collins, Colorado* (April 2016). Retrieved November 4, 2021 from https://www.fcgov.com/finance/bo/Fort_Collins_P2P_Action_Plan_Report_Version_1_04_04_Final.pdf